

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration BetweenName of Claimant

Dennis James Karol

93-01905

Name of RespondentsSherwood Capital, Inc.
David C. Dever
Frederic W. Rittreiser
Gregory M. Hasbo

REPRESENTATION

For Claimant Dennis James Karol: pro se.

For Respondent Sherwood Capital, Inc.: Jeffrey P. Flynn, Esq. of Crummy, Del
Deo, Dolan, Griffinger, & Vecchi.For Respondents David C. Dever, Frederic W. Rittreiser, and Gregory M.
Hasbo: pro se.CASE INFORMATION

Statement of Claim filed: May 12, 1993.

Claimant's Submission Agreement signed on: May 4, 1993.

Statement of Answer filed by Respondent, Sherwood Capital, Inc. on: August 2,
1993.Statement of Answer not filed by Respondents David C. Dever, Frederic W.
Rittreiser, and Gregory M. Hasbo.Respondent Sherwood Capital, Inc.'s Submission Agreement signed on: August
10, 1993.Respondents David C. Dever, Frederic W. Rittreiser, and Gregory M. Hasbo
did not sign a submission agreement.

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HEARING INFORMATION

Hearing Dates/Sessions: February 3, 1994 / Two Sessions

Hearing Location: NASD offices located in New York City, New York.

CASE SUMMARY

Claimant alleged that Respondents fraudulently induced him to invest in unsuitable securities of which Respondent Sherwood Capital was a market maker. Claimant also alleged that he has causes of action against Respondents for unauthorized trading, churning, stock price manipulation, breach of fiduciary duty, respondeat superior, violation of Sec. 10-b and 20-a of the Securities Exchange Act of 1934, crossing of orders between customers, and negligence.

Claimant alleged that he opened an account at First Jersey Securities on October 24, 1986. Respondent David Dever was the account executive at First Jersey, and was under the supervision of Respondent Gregory Hasho, the branch office manager at First Jersey. In February of 1987 Respondent Sherwood Capital, Inc. took over operation of this First Jersey office, and both Dever and Hasho maintained their positions in this office as employees of Sherwood Capital. Respondent Frederic Riterizer was a principal of Sherwood Capital, and was responsible for the supervision of all accounts at Sherwood. During the time the account was maintained at this branch office (October 1986 - June 1989), Claimant alleges that he lost \$50,031 due to the "boiler room" operation maintained by respondents. The alleged "boiler room" operation consisted of (1) insufficient training of Account Executives, (2) fraudulent cold calling schemes, (3) "sell weeks" marked by severe harassment, and (4) a failure to report portfolio values and equity to customers.

Respondent Sherwood Capital claimed that the Claimant sought to establish an account with it in February, 1987. Sherwood maintained that when claimant's account was established (and before any trades were executed), Sherwood's account executives were required to discuss with Claimant his investment history, financial background,

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employment status, investment goals and financial objectives. During the intervening eighteen months (when Sherwood ceased its retail broker-dealer operations in May, 1988), Claimant made various investment transactions through Sherwood, all of which were consistent with Claimant's stated background and objectives. Claimant was informed of the risks involved and the suitability of the transaction for an investor of his background before each trade was executed. Sherwood Capital further maintained that Claimant received a written confirmation statement following every purchase and/or sale transaction, as well as a monthly statement which listed and recounted his investment activity over the prior 30 days. Finally, Sherwood maintained that Claimant never requested to modify or cancel any transaction, nor did he ever question any transaction or complained about his account until five years after his accounts were transferred away from Sherwood Capital.

Respondents David C. Dever, Frederic W. Rittreiser, and Gregory M. Hasho never filed an answer.

Respondent Sherwood Capital, Inc. settled with Claimant before the hearing date.

RELIEF REQUESTED

Claimant requested: Actual/Compensatory damages: \$50,031

Treble Damages: \$150,093

Lost Income: \$5,000

Out of pocket expenses: \$5,000

Respondent Sherwood Capital, Inc. requested: Dismissal with prejudice

Attorneys' fees

Interest

Costs

OTHER ISSUES CONSIDERED & DECIDED

The arbitration panel made the following rulings with regard to Respondents David C. Dever and Frederic W. Rittreiser. Claimant settled all disputes with Gregory Hasho prior to the commencement of the arbitration.

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In accordance with Section 1 of the Code, the panel ruled that it had jurisdiction over these Respondents;

In accordance with Section 25 of the Code, these Respondents were served with the Statement of Claim and given an opportunity to respond which they failed to do;

In accordance with Section 21 and Section 26 of the Code, these Respondents were given due notice of the hearing procedure by regular and certified mail and failed to appear at the hearing;

In accordance with Section 29 of the Code, the panel ruled that these Respondents had adequate notice of this hearing and determined to proceed with these Respondents as parties in their absence.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions if any, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents David C. Dever, Frederic W. Rittereiser and Gregory M. Hasho are jointly and severally liable and shall pay to the Claimant the sum of \$33,500.
2. The Respondents shall jointly and severally pay for the forum fees associated with this arbitration.

FORUM FEES

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

2 sessions x \$750.00 = \$1,500
\$200.00 non-refundable filing fee

Total: \$1,700.00

The Respondents David C. Dever, Frederic W. Rittereiser, and Gregory M. Hasho are jointly and severally liable and shall pay to the NASD the sum of

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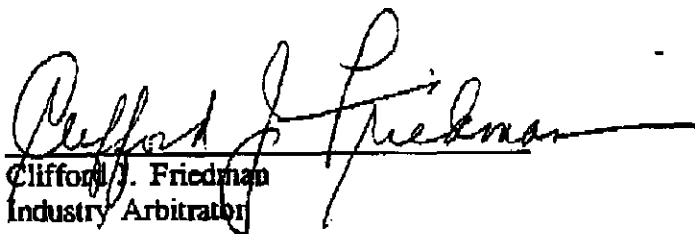
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\$1,700.00 representing the forum fees assessed for the cost of this arbitration.
Respondents shall satisfy payment by:

1. reimbursing Claimant \$800.00 which has already been paid to the NASD;
2. paying to the NASD the sum of \$900.00, representing the balance of the forum fees due.

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

Concurring Arbitrator's Signature


Clifford J. Friedman
Industry Arbitrator

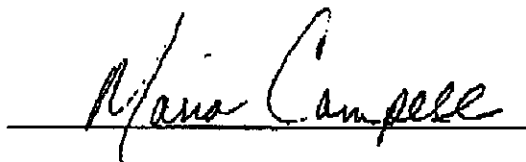
NASD DATE OF DECISION 4/5/94

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STATE OF: New York
COUNTY OF: New York

S.S.:

On this 5th day of April, 1994, before me personally appeared Clifford J. Friedman known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



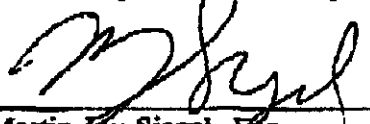
MARIA A. CAMPEZE
Notary Public, State of New York
No. 62-4066380
Qualified in Suffolk County *NY*
Commission Expires April 16, 1997

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

Concurring Arbitrators' Signatures



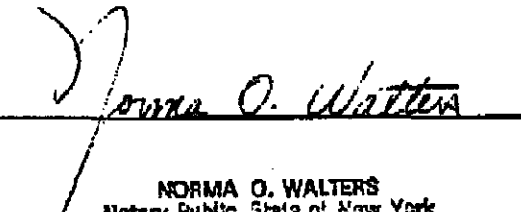
Martin Jay Siegel, Esq.
Public Arbitrator

Date of Decision: April 5, 1994

STATE OF: New York
COUNTY OF: New York

S.S.:

On this 8th day of March, 1994, before me personally appeared MARTIN JAY SIEGEL, ESQ. known and known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.


NORMA O. WALTERS
Notary Public, State of New York
No. 23-1834104
Qualified in Nassau County
Commission Expires Aug. 31, 1995