

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Shinu and Prabha Murthy

Case #
93-02596

Name of Respondents

Stockbridge Partners, Inc.
Philip A. Parker
Kurt Feshback

REPRESENTATION

For Claimants, Shinu and Prabha Murthy ("Claimants"), Roger W. Van Deusen, Esq., from the law firm of Gaines & Stern Co., LPA located in Cleveland, Ohio.

For Respondent, Stockbridge Partners, Inc. ("Stockbridge"), Philip A. Parker ("Parker") and Kurt Feshback ("Feshback"), Darrell Malick, Esq. in-house counsel, located in Palo Alto, California.

CASE INFORMATION

Statement of Claim was filed on June 25, 1991.
Claimant's Submission Agreement was signed on June 22, 1993.

Joint Statement of Answer was filed by Respondents, Stockbridge Partners and Feshback on September 30, 1993.

Respondent Stockbridge's Submission Agreement was signed on October 1, 1993.

Respondent Feshback's Submission Agreement was signed on October 1, 1993.

Respondent Parker's Submission Agreement was signed on October 1, 1993.

HEARING INFORMATION

Hearing Dates/Sessions:**March 28, 1994 - 2 Sessions****March 29, 1994 - 2 Sessions**

Hearing Location: National Association of Securities Dealers, Inc.'s offices located in Cleveland, Ohio.

CASE SUMMARY

Claimants allege that Respondents intentionally and recklessly made trades in their account that were contrary to their investment objectives and made without their authorizations and failed to effectuate stop loss measures as promised. Claimants allege that Respondents violated Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 of the SEC promulgated thereunder and Article 3, Sections 1 and 18 of the NASD Rules of Fair Practice. Claimants also allege that Respondent induced them to transact "short" sales and cover purchases and to liquidate their account at a substantial loss. Claimants further allege that Stockbridge violated Article 3, Section 27 of the Rules of Fair Practice by failing to properly supervise Feshback and Parker. Claimant assert other theories of liability such as fraud, gross negligence, negligence and breach of contract.

Respondents deny the allegations and deny liability.

Respondents state that Stockbridge is an affiliate of Feshback Brothers, which is an investment manager of limited partnership and is well known nationally as short sellers. Respondents also state that knowledgeable, high net worth, risk tolerant investors are suitable for short selling activities. Respondents further state that a Stockbridge information package which emphasized that short selling was a high risk strategy was sent to Claimants. Respondent maintain that Mr. Murthy stated that he understood the risks and as part of the opening documents executed a customary Discretionary Account letter, which granted power of attorney to Stockbridge, and also deposited \$100,000.00 into a joint account.

Respondents state that when the market did not have a downturn as expected, Mr. Murthy became displeased with the performance of his account and with Respondents. Respondents also state that they began to have doubts as to Claimants' risk tolerance and the parties agreed to liquidate the account and forward the proceeds to Claimants.

RELIEF REQUESTED

Claimants request an award of in excess of \$55,000 for losses sustained. \$110,000.00 in punitive and/or exemplary damages on the fraud or gross negligence theories including attorney's fees and costs

Respondents request that the Panel deny the claim and award Respondents forum fees and full costs in an amount to be determined, including the substantial business expenses involved in addressing this claim, legal fees, and travel expenses.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD.

Respondents filed a Motion for Partial Summary with respect to the claim against Mr. Feshback on March 4, 1994. Claimants' Response to Respondent's, Kurt Feshback's, Motion for Summary Judgement was filed on March 16, 1994. The Panel's ruling is contained in the Award section of the decision.

At the request of Respondents, this Panel allowed Mr. Feshback to testify by telephone conference in lieu of his appearance at the hearing.

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 asserted by Claimants are denied.

FORUM FEES

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

Non-refundable Filing Fee:	\$200.00
Hearing Session Fees:	\$750.00 X 2 Sessions = \$1,500.00
Total Fees:	\$1,700.00

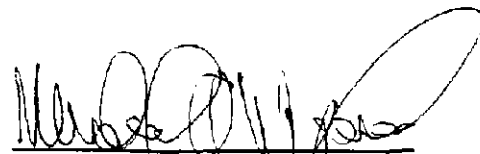
1. Claimants are assessed a \$200.00 non-refundable fee. Claimant is also assessed \$750.00.
2. Claimants deposited \$950.00.
3. Respondents are jointly and severally assessed \$750.00 in forum fees.

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

ARBITRATION PANEL

Michael A. Wypasek, Esq.	-	Public Chairperson
Charles Clinton	-	Public Panelist
John N. Stamatis	-	Industry Panelist

Concurring Arbitrator's Signature


Michael A. Wypasek, Esq.

NASD Date of Decision July 8, 1994

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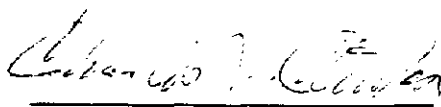
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Charles J. Clinton

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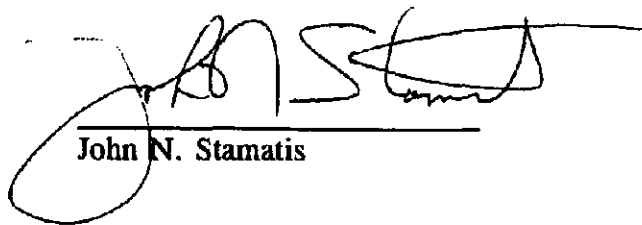
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