

NASD AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Name of Claimant

Matrix Engineering, Inc.

and

94-02001

Name of Respondent

Stratton Oakmont, Inc.
Risa Steinberg

REPRESENTATION OF PARTIES

Matrix Engineering, Inc. ("Claimant") was represented by Alyse I. Lasser, Esq., WMX Technologies, Inc., Oak Brook, Illinois and James D. Adducci, Esq., Schuyler, Roche & Zwirner, Chicago, Illinois.

Stratton Oakmont, Inc. ("Respondent Stratton") was represented by Jerry Santangelo, Esq., Neal Gerber & Eisenberg, Chicago, Illinois and Martin P. Unger, Esq., Tenzer Greenblatt, LLP., New York, New York.

Risa Steinberg ("Respondent Steinberg") was represented by Ronald D. Shindler, Esq., Fowler, White, Burnett, Hurley, Banick & Strickroot, P.A., Miami, Florida.

CASE INFORMATION

The Statement of Claim was filed on or about June 1, 1994. Submission Agreement of Claimant Matrix Engineering, Inc. was signed on May 25, 1994 by Stephen P. Stanczak, Vice President.

Statement of Answer was filed by Respondent Stratton Oakmont, Inc. on or about September 12, 1994.

Statement of Answer was filed by Respondent Risa Steinberg on or about September 29, 1994. Submission Agreement of Respondent Risa Steinberg was signed on November 2, 1994.

HEARING INFORMATION

The hearing was held on Wednesday, October 18, 1995 for two (2) sessions, Thursday, October 19, 1995 for two (2) sessions, Friday, October 20, 1995 for two (2) sessions and Wednesday, October 25, 1995 for one (1) session in Chicago, Illinois for a total of seven (7) sessions.

CASE SUMMARY

Claimant alleged that Respondents engaged in unsuitable trading in its account, engaged in fraud, made material misrepresentations, engaged in unauthorized trading, breached their fiduciary duty, and engaged in violations of the Racketeer Influenced and Corrupt Organizations Act (RICO). Claimant also alleged that Respondent Stratton Oakmont, Inc. failed to supervise Respondent Steinberg. Specifically, Claimant alleged that Respondent Steinberg made material misrepresentations to induce the purchase shares of stock of Healthcare Imaging Systems and Aquanatural and others; sold shares of HISS and Aquanatural without authorization to purchase Licon International. Claimant also alleged breach of a broker-customer contract including an implied covenant of good faith and fair dealing.

Respondents Stratton and Steinberg in separate Answers denied the allegations set forth in the Statement of Claim. Respondents specifically stated that statements made to Arthur Richard, President of Matrix by Respondent Steinberg were mere salespersons predictions or puffing; that all trades were authorized by Claimant; that the size of each trade were determined solely by Mr. Richard and that the transactions were all suitable for the account.

RELIEF REQUESTED

Claimant requested an award of compensatory damages in the amount of \$2,027,949, prejudgment interest on the compensatory damages to compensate for the interest and appreciation Matrix would have realized on such amounts, punitive or exemplary damages in the amount of \$4,055,847, treble damages in the amount of \$6,083,847, costs of suit, including reasonable attorneys' fees, and such other amounts as the panel may deem appropriate.

Respondents requested that the claims asserted against them be denied in their entirety.

OTHER ISSUES CONSIDERED & DECIDED

Respondent Stratton Oakmont, Inc. did not file with the NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant to §12 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and offered testimony at the hearing is bound by the determination of the arbitration panel 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 original(s) remain on file with the NASD.

AWARD

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

1. Respondents Stratton Oakmont, Inc. and Risa Steinberg shall be and hereby are jointly and severally liable for and shall pay to the Claimant Matrix Engineering, Inc. the sum of **Two hundred seventy eight thousand two hundred ninety eight dollars (\$278,298)** which sum is inclusive of interest to the date of this award.
2. Respondent Stratton Oakmont, Inc. shall be and hereby is liable for and shall pay to the Claimant Matrix Engineering, Inc. the sum of **Four hundred ninety three thousand five hundred seventy dollars (\$493,570)** which sum is inclusive of interest to the date of this award.
3. No punitive damages are awarded herein.
4. Each party shall bear its own costs, expenses and attorneys' fees incurred in this matter not specifically enumerated herein.

FORUM FEES

Forum fees are calculated at the rate of \$1,500 per hearing session and \$300 for each prehearing conference, if any. There were seven (7) sessions x \$1,500 = \$10,500 in forum fees. Pursuant to §43(b) a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to §43(c) of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("NASD") shall **retain** the non-refundable filing fee in the amount of \$300 and shall **retain** as forum fees the hearing session deposit in the amount of \$1,500 previously deposited with the NASD by the Claimant Matrix Engineering, Inc. Respondent Stratton Oakmont, Inc. shall be and hereby is liable for and shall pay to the NASD the sum of \$9,000 as the balance due for forum fees.

Pursuant to §45 of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the member surcharge in the amount of \$200. Fees are payable to the National Association of Securities Dealers, Inc.

Dated:

/s/ Herbert S. Channick, Esq.
Herbert S. Channick, Esq.
Public Arbitrator, Presiding Chair

November 1, 1995

/s/ Leon Fox
Leon Fox, J.D.
Public Arbitrator

October 31, 1995

/s/ Thomas J. Cavanagh
Thomas J. Cavanagh
Industry Arbitrator

November 1, 1995