

AWARD

NASD REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Keith E. Walsh

vs.

Case No.
94-03300

Name of Respondents

CS First Boston Corporation
CS First Boston Investment Management Cp

REPRESENTATION

For Claimant, Keith E. Walsh ("Claimant") Richard M. Gelb, Esq. from the law firm of Gelb & Gelb located in Boston, Massachusetts.

For Respondents, CS First Boston Corporation ("CSFBC") and CS First Boston Investment Management Corporative ("CSFBIMC") (collectively "Respondents"), George J. Wade, Esq. from the firm of Sherman & Sterling, located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on August 16, 1994.

Claimant's Submission Agreement was signed on August 15, 1994.

Joint Statement of Answer and Counterclaim was filed by Respondents on December 8, 1994.

Respondent CSFBC's Submission Agreement was signed on December 1, 1994.

Respondent CSFBIMC's Submission Agreement was signed on December 19, 1994.

HEARING INFORMATION

Pre-Hearing Conferences:	September 7, 1995	-	1 session
	November 9, 1995	-	1 session
Hearing Date/Session:	November 30, 1995	-	2 sessions
	January 17, 1996	-	2 sessions
	January 18, 1996	-	2 sessions
	February 2, 1996	-	2 sessions
	February 6, 1996	-	2 sessions
	February 28, 1996	-	2 sessions
	February 29, 1996	-	2 sessions
	March 21, 1996	-	2 sessions
	April 11, 1996	-	2 sessions
	April 12, 1996	-	2 sessions
	May 22, 1996	-	2 sessions

May 23, 1996	-	2 sessions
June 11, 1996	-	2 sessions
June 12, 1996	-	2 sessions
June 20, 1996	-	2 sessions
July 30, 1996	-	2 sessions
July 31, 1996	-	2 sessions
August 5, 1996	-	2 sessions
August 27, 1996	-	2 sessions
August 28, 1996	-	2 sessions

Hearing Location: NASD Regulation, Inc. offices at 260 Franklin Street and American Arbitration Association at 133 Federal Street, both located in Boston, Massachusetts.

CASE SUMMARY

In the Statement of Claim, Claimant states that he commenced this arbitration to recover damages from Respondents because Respondents wrongfully terminated him and defamed him.

Claimant alleges that Respondents breached his employment by terminating him without cause. Claimant also alleges that Respondents terminated him on false allegations that he made unsuitable and inappropriate investments for three institutional accounts. Claimant further alleges that none of the accounts stated that the investment was unsuitable and only one of them said that the investment was inappropriate. Claimant further states that this account did not deny knowledge of the investment. Claimant contends that Respondents defamed him by publishing this information in the Wall Street Journal and on him Form U-5 that was filed with the Central Registry Depository ("CRD"). Claimant also contends that this CRD filing was done with malice and that Respondents refused to correct the CRD filing. Claimant further contends that this filing resulted in an inquiry from the New York Stock Exchange.

Claimant alleges that he was not paid commissions due him for these accounts. Claimant also alleges that the investments from these accounts, The Offshore Cash Reserve Fund, The Home Depot Fund and the Tritan Fund were structured in such a way that the accounts would not lose principal if held until maturity and that Respondents, for business relationship reasons, chose to repurchase the investments for millions of dollars and selected Claimant as the scapegoat. Claimant further alleges that Respondents retroactively canceled Claimant's final paycheck and failed to pay him his accrued vacation pay in violation of Chapter 149, Section 148 et seq. of the Massachusetts General Laws which provided for treble damages.

Respondents deny liability, deny the allegations of wrongdoing, interpose twelve affirmative defenses and ten counterclaims.

Respondents contend that they are not liable to Claimant as he was an at will employee who could be terminated at any time for any reason. Respondents also contend that the statements on Claimant's Form U-5 are true and are protected by absolute privilege and cannot be the basis of a defamation claim and that Claimant signed a release waiving responsibility. Respondents further contend that they did not make any statements contained in the *Wall Street Journal*.

Respondents contend that when they hired Claimant in August, 1992, Claimant represented that he left his previous employer due to a disagreement on investment management philosophy, ie., Claimant's desire to retain inverse floating rate notes in market portfolio governed by Rule 2a-7 of the Investment

Company Act of 1940. Respondents also contend that Claimant failed to disclose that he was dismissed because his use of inverse floaters in a Rule 2a-7 fund triggered an SEC letter which stated that that vehicle was highly volatile and inappropriate for a traditional Rule 2a-7 money market fund. Respondents further contend that Claimant was one of the primary architects of the Offshore Fund, a new unregistered private placement fund and was designated as the portfolio's manager. Respondent further contend that this fund was unlike a traditional money market fund subject to Rule 2a-7.

Respondents allege that Claimant failed to disclose in the fund's First Offering Circular that SRN would be a part of the investment and that it was not until January 24, 1994 the Second Offering Circular, that Respondents became aware that 140% of the fund's capital was invested in SRNs. Respondents claim that this was an unsuitable and inappropriate investment.

In their counterclaim, Respondents seek damages for Claimant's breach of his duty of care to Respondents, misrepresentation about the actual fund investments and Claimant's negligence.

Claimant denies the allegations of wrongdoing, denies liability under the counterclaim and asserts twenty-two affirmative defenses. Claimant contends that Respondents' counsel was aware that Claimant intended to invest some of the fund's assets in SRNs and that this was apparent when the First Offering Circular was issued.

RELIEF REQUESTED

Claimant requests an award of compensatory and punitive damages in the amount of at least \$5,000,000.00, plus interest, costs and reasonable attorney's fees. Claimant also request that the counterclaims be denied.

Respondents request that:

- (a) the claim be dismissed in its entirety;
- (b) an award in excess of \$40 million on the counterclaims;
- (c) punitive damages;
- (d) costs, disbursements and reasonable attorney's fees; and
- (e) such other and further relief as may be deemed just and proper.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in counterpart copies and agreed to receive a conformed copy of the Award while the original remains on file with the NASD Regulation, Inc.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and submissions dated August 19, 1996 from both parties, the undersigned arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. All claims asserted by Claimant against Respondents are denied.
2. All counterclaims asserted by Respondents against claimant are denied.
3. All forum fees are assessed against Respondents.

FORUM FEES

Pursuant to Section 44(c) of the *Code of Arbitration Procedure*, the following Forum Fees are assessed against Respondents, jointly and severally.

Non-refundable Claim Filing Fee:	\$500.00
Non-refundable Counterclaim Filing Fee:	\$500.00
Pre-Hearing Conference Fee:	\$600.00 (2 sessions @ \$300.00 per session)
Hearing Session Fees:	\$60,000.00 (40 sessions @ \$1,500.00 per session)
Total Fees:	\$61,600.00

1. Claimant previously deposited \$1,500.00 and is entitled to a refund in that amount.
2. Respondents previously paid \$2,500.00 and owe a balance of \$59,100.00. Respondents shall satisfy the fees assessed by reimbursing Claimant \$1,500.00 and by remitting the balance \$57,600.00 to NASD Regulation, Inc.
3. Respondent were assessed \$1,000.00 for postponement of the hearings that were scheduled for November 6 and 7, 1995.

Fees are payable to the NASD Regulation, Inc.

ARBITRATION PANEL

Richard J. Grahn, Esq.	-	Public Chairperson
Ronald L. Cheney, Esq.	-	Public Panelist
Richard D. Jordan	-	Industry Panelist

Concurring Arbitrator's Signature


Richard J. Grahn, Esq.

Date of Decision: December 13, 1996

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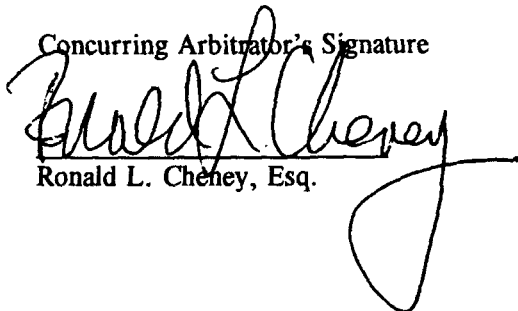
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Ronald L. Cheney, Esq.

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