

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

John M. Riedl

95-00162

Name of Respondent(s)

David A. Blech
D. Blech & Co, Inc.

REPRESENTATION

For Claimant John M. Riedl: Frank Lightmas, Esq. of the law firm of Lightmas and Delk, Atlanta, GA.

The Respondents did not appear.

CASE INFORMATION

Statement of Claim filed: January 11, 1995.

Claimant's Submission Agreement signed on: January 9, 1995.

The Respondents did not execute submission agreements or file Statements of Answer as required pursuant to Section 25 of the Code of Arbitration Procedure.

HEARING INFORMATION

Hearing Date/Session: April 1, 1996 - One Session

Hearing Location: Hampton Inn, Atlanta, Georgia.

CASE SUMMARY

Claimant alleged breach of contract and fraud against the Respondents D. Blech and Company, Inc. and D. Blech. Claimant further alleged the Respondents promised a certain compensation package to the Claimant which included among other things that:

- i) Riedl would receive a one-time payment of \$30,000.00 to replace certain retirement benefits from Prudential Securities, Inc. that he would be losing by joining the company;
- ii) Riedl would receive a "guaranteed minimum draw of \$200,000.00 a year for three years"; and,
- iii) Riedl would receive one-half of warrants earned on private placements, one-half of 80% of warrants earned on public offerings.

Claimant alleged in reliance on all of these representations he agreed to join the Company.

Claimant further alleged the Respondents represented to Riedl that he would be assistant branch manager and would have the full support of the Company as to all products sold by or through the Company and in reliance on these representations Riedl agreed to join the company. Claimant next alleged the Respondents failed to comply with the express terms of the written compensation agreement and alleged the representations were material and were false when made with the purpose of inducing Riedl to join the company. Claimant next alleged he is entitled to further compensation because he lost certain clients and saw his production drop dramatically because of the misrepresentations made by the Respondents.

Claimant next alleged the claims against Respondents include but are not limited to breach of contract, breach of the duty of good faith and Georgia Common law fraud and statutory fraud.

RELIEF REQUESTED

Claimant requested actual damages in the sum of \$472,444.58 which represents the guaranteed minimum draw plus additional actual damages to compensate the Claimant for other injuries suffered and that the panel enter an Order ordering D. Blech and D. Blech and Company, Inc. to transfer the warrants referenced in the compensation agreement to the Claimant or alternatively to pay the amounts for those warrants that have a positive value; pre-hearing interest at 7% in the sum of \$25,000.00 punitive damages; post-hearing interest; attorneys' fees in the sum of \$3,000.00 costs and expenses incurred by the Claimant in bringing the action and such other and further relief as the panel deems just and equitable.

OTHER ISSUES CONSIDERED AND DECIDED

The arbitrators made the following rulings concerning Respondent, D. Blech and Co., Inc. and David Blech who failed to appear at the evidentiary hearing conducted in this matter:

1. Pursuant to Section 1 of the NASD Code of Arbitration Procedure, the arbitrators found subject matter jurisdiction over this entire controversy.
2. The arbitrators found that the Respondent D. Blech and Company, Inc. was a member of the NASD at the time the controversy arose and the Respondent David Blech was an associated person at the time the controversy arose. Consequently, the arbitrators found personal jurisdiction over the Respondents D. Blech and Company, Inc. and David Blech, pursuant to Section 12 of the NASD Code of Arbitration Procedure.
3. In view of (2) above, the arbitrators found that the Respondents D. Blech and Company, Inc. and David Blech were required to file with the NASD Statements of Answer and properly executed Submission Agreements pursuant to Section 25(b) of the NASD Code of Arbitration Procedure. In this regard, the arbitrators found that the Statement of Claim was properly served upon the Respondents D. Blech and Company, Inc. and David Blech, pursuant to Section 25(a) of the Code.
4. In addition, in accordance with Sections 21, 26 and 29 of the NASD Code of Arbitration Procedure, the arbitrators found that the NASD provided Respondents D. Blech and Company, Inc. and David Blech, with "due notice" of the hearing conducted in this matter by regular and certified mail. The arbitrators, therefore, determined to proceed with the hearing without Respondents D. Blech and Company, Inc. and David Blech, whose absence was unexcused.

AWARD

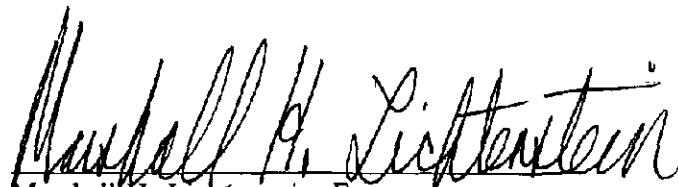
After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

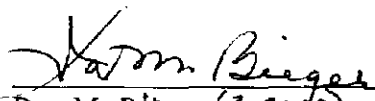
1. The Respondents be and hereby are liable jointly and severally and shall pay to the Claimant the sum of \$472,444.58 in compensatory damages for the balance due to the Claimant for the guaranteed minimum draw.
2. The Claimant's claim for fraud is denied.
3. The Respondents be and hereby are liable jointly and severally and shall pay to the claimant the sum of \$25,000.00 representing pre-judgment interest.
4. The Respondents be and hereby are liable jointly and severally and shall pay to the Claimant post Award interest at the rate of 12% per annum.
5. The Respondents be and hereby are liable jointly and severally and shall pay to the Claimant the sum of \$3,000.00 representing attorneys' fees pursuant to O.C.G.A. 13-6-11.
6. The Respondents be and hereby are liable jointly and severally and shall pay to the Claimant the sum of \$40.00 representing the Claimant's out of pocket costs.
7. The Respondents be and hereby are liable jointly and severally and shall reimburse to the Claimants the sum of \$1,250.00 representing the fees previously paid by the Claimant to the NASD.
8. The Respondents be and hereby are liable jointly and severally and shall pay to the Claimant the sum of \$43,850.00 which represents the aggregate market value of warrants promised to Claimant in Guilford Pharmaceuticals, Hemasure, Incyte and La Jolla Pharmaceuticals.
9. The Respondents shall transfer and deliver 800 warrants in Ariad Pharmaceuticals and 1200 warrants in Texas BioTechnology within 30 days after issuance of the arbitration award.

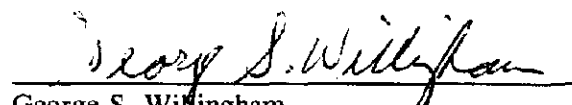
FORUM FEES

Pursuant to Section 44(c) of the Code of Arbitration Procedure, the NASD shall retain the fees previously paid by the Claimant to the NASD.

ARBITRATORS' SIGNATURE


Marshall H. Lichtenstein, Esq.
Industry Arbitrator


Don M. Bieger (Bieger)
Industry Arbitrator


George S. Wilfingham
Industry Arbitrator

Date of Decision: June 5, 1996