

6/19/96
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N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

J.W. Charles Securities, Inc.

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Securities Dealers, Inc.

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CASE NO. 95-00344

Name of Respondent

First Southwest Company

REPRESENTATION

For Claimant, J.W. Charles Securities, Inc. ("Charles"): **Kieth Olin, Esq., of Morgan, Lewis & Bockius of Miami, Florida.**

For Respondent, First Southwest Securities, Inc. ("FSW"): **Dee Kelly, Jr., Esq. of Kelly, Hart & Hallman of Fort Worth, Texas.**

CASE INFORMATION

Statement of Claim filed: January 23, 1995.

Claimant's Submission Agreement signed on: February 7, 1995 by Charles E. Scarlett, Esq. on behalf of Charles.

Statement of Answer filed by Respondent, FSW: March 28, 1995.

Respondent, FSW's Submission Agreement signed on: March 28, 1995 by Thomas D. Williams on behalf of FSW.

HEARING INFORMATION

On March 12, and 13, 1996, in Fort Lauderdale, Florida, hearings lasting three (3) sessions were conducted.

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CASE SUMMARY

Claimant alleged that through fraud and gross negligence, Respondent induced Claimant to assume clearing responsibility from Respondent for Regency Capital Group, Inc. ("Regency"), a correspondent firm with which Respondent had experienced serious and severe problems. That Respondent misrepresented the true reasons for the termination of its clearing agreement with Regency, and the existence and nature of the problems that Respondent had experienced with Regency.

Respondent alleged that no secret agreement was ever made between FSW and Regency, that FSW had absolutely no incentive to make such an agreement, and that FSW responded timely and accurately to the specific requests for information and documents made by Charles. That Charles bears the responsibility for its injury because it made virtually no effort to perform due diligence before taking Regency on as a client and thereafter inadequately managed Regency's accounts.

RELIEF REQUESTED

Claimant requested Compensatory Damages in the amount of \$175,000.00, interest, costs, and punitive damages.

Respondent requested that the Statement of Claim be dismissed in its entirety.

OTHER ISSUES CONSIDERED & DECIDED

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 originals remain on file with the NASD.

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. Respondent, FSW is found not liable and, therefore, all claims against it are hereby dismissed.
2. Claimant's requests for interest, costs and punitive damages are hereby denied.

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OTHER COSTS

Other than the Forum Fees detailed below the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

FORUM FEES

Pursuant to Section 44c of the Code of Arbitration Procedure, the Panel has assessed Forum fees in the amount of \$3,000.00 (3 sessions x \$1,000.00 per session).

1. Claimant is hereby assessed Forum Fees in the amount of \$1,500.00, for which the NASD shall retain the \$1,000.00 previously deposited in partial satisfaction thereof, leaving a balance due to the NASD of \$500.00.

2. Respondent is hereby assessed Forum Fees in the amount of \$1,500.00 payable to the NASD.

3. The NASD shall retain the non-refundable filing fee of \$500.00 paid by the Claimant.

4. Respondent shall reimburse Claimant \$250.00 for one-half the non-refundable filing fee, which shall be paid directly to the Claimant.

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

Concurring Arbitrators' Signatures

Name

Public/Industry

/s/
Steven A. Hurst

Industry/Chairman

/s/
P. Isenberg

Industry

/s/
Gary Lang

Industry

Date of Decision: June 20, 1996