

NASD REGULATION, INC. AWARD

NASD REGULATION, INC., OFFICE OF DISPUTE RESOLUTION

In the matter of the Arbitration Between

Name of Claimant

Eric Ernst

v.

Arbitration No.
95-00522

Name of Respondents

Stratton Oakmont, Inc., Dean S. Friedman, Leonard Dunn, Mathias Tiffert, Paul Byrne,
Daniel Porush, Jordan Belfort, Michael J. Raskin and RMS Network, Inc.

REPRESENTATION

For Claimant:

Ricki C. Ring, Esq.
Jay R. Stein, Esq.
Law Offices of Ricki C. Ring
Los Angeles, California

For Respondent RMS Network, Inc.:

Corporate Representative
RMS Network, Inc.
Lake Success, New York

CASE INFORMATION

Statement of Claim filed:	January 27, 1995
Amendment to Statement of Claim filed:	March 15, 1995
Second Amendment to Statement of Claim filed:	September 11, 1995
Third Amendment to Statement of Claim filed:	February 19, 1997
Fourth Amendment to Statement of Claim filed:	March 25, 1997
Consolidated and Amended Statement of Claim filed:	May 20, 1997

Claimant's Submission Agreement signed:	January 26, 1995
Statement of Answer filed by Respondents Stratton Oakmont, Inc. and Dean S. Friedman:	April 11, 1995
Answer to Amendment to Statement of Claim filed by Respondent Dean S. Friedman:	February 25, 1997
Answer to Second Amendment to the Statement of Claim filed by Respondents Stratton Oakmont, Inc. and Dean S. Friedman:	October 10, 1995
Answer to Second Amendment to the Statement of Claim filed by Respondents Leonard Dunn and Mathias Tiffert:	February 26, 1997
Answer to Statement of Claim and Amendments filed by Respondent Daniel Porush:	February 27, 1997
Answer to the Consolidated and Amended Statement of Claim and Cross-Claim filed by Respondent Michael Raskin:	June 19, 1997
Answer to Cross-Claim filed by Respondents Dean Friedman, Mathias Tiffert and Leonard Dunn:	June 27, 1997
Respondent Dean S. Friedman's Submission Agreement signed:	March 2, 1995
Respondent Daniel M. Porush's Submission Agreement signed:	February 20, 1997
Respondent Paul F. Byrne's Submission Agreement signed:	March 1, 1995

HEARING INFORMATION

Pre-Hearing Conference Dates/Sessions:	February 3, 1997 (1 session) April 18, 1997 (1 session) July 21, 1997(1 session) August 11, 1997 (1 session) February 9, 1998 (1 session)
Hearing Dates/Sessions:	None

CASE SUMMARY

Claimant alleged Respondents committed breach of contract, breach of fiduciary duty, fraud, negligence, and negligent supervision in connection with the solicitation, purchase and sale of securities to Claimant.

Respondent RMS Network, Inc. did not file an answer in response.

RELIEF REQUESTED

Claimant sought \$127,690.00 in compensatory damages, interest at the legal rate, punitive damages, attorney's fees and costs.

OTHER ISSUES CONSIDERED AND DECIDED

The parties have agreed that the Award in this matter may be executed in either 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 remains on file with the NASD Regulation, Inc., Office of Dispute Resolution.

Respondent Stratton Oakmont, Inc. filed for bankruptcy on January 29, 1997, thereby staying this action against it.

Respondent Leonard Dunn filed for bankruptcy on July 28, 1997, thereby staying this action against him.

Respondent Mathias Tiffert filed for bankruptcy on July 7, 1997, thereby staying this action against him.

Respondent Paul Byrne filed for bankruptcy on March 10, 1997, thereby staying this action against him.

Respondent Jordan Belfort was dismissed with prejudice from this matter by Claimant on July 9, 1997.

Respondent Michael Raskin was dismissed with prejudice from this matter by Claimant on October 6, 1997.

Respondent Dean S. Friedman was dismissed with prejudice from this matter by Claimant on October 13, 1997.

Respondent Daniel Porush was dismissed with prejudice by Claimant on January 30, 1998.

On February 9, 1998, the arbitration panel granted Claimant's Motion to Bar the Answer and presentation of evidence by Respondent RMS Network, Inc. and instructed Claimant to file an arbitration brief rather than have an arbitration hearing regarding the merits of this matter.

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. RMS Network, Inc. is liable to Claimant Eric Ernst for the sum of \$78,000, which includes all amounts awarded for prejudgment interest, and post-award interest shall accrue at the rate of 10% per year from the date of the award.
2. Claimant's request for attorney's fees and punitive damages and any other relief is denied.
3. The Arbitrators find that Stratton Oakmont, Inc. was guilty of actual fraud and intentional wrongdoing against Claimant Eric Ernst. RMS Network, Inc. is jointly and severally liable with Stratton Oakmont, Inc. for intentional fraud because RMS Network, Inc. was a joint tortfeasor, co-conspirator, aider and abettor of fraud, a controlling person and responsible for the actions of Stratton Oakmont, Inc. The Arbitrators find that RMS Network, Inc. is the party in this NASD arbitration under the rule of McMahan Securities v. Form Capital Markets, 35 F.3d 82 (2nd Cir. 1994).
4. This award is the final resolution of the arbitration as all other parties have settled or filed bankruptcy, so all other parties are dismissed without prejudice.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following forum fees are assessed against Respondent RMS Network, Inc.:

<u>Five (5) Full Panel Pre-Hearing Conferences @ \$750.00/Conference</u>	<u>= \$3,750.00</u>
Total Forum Fees Assessed:	= \$3,750.00

Respondent RMS Network, Inc.'s Balance Due	= \$3,750.00
--	--------------

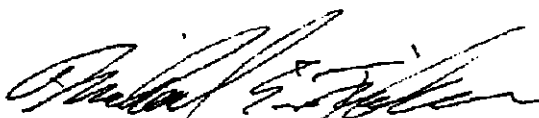
Claimant's Hearing Session Deposit of \$750.00 shall be refunded by NASD Regulation, Inc.

Fees are payable to NASD Regulation, Inc.

ARBITRATORS

<u>Name</u>	<u>Arbitrators</u>
Michael E. Friedman, Esq.	Public Arbitrator
Leo B. Rotter	Industry Arbitrator
Robert S. Granas	Public Arbitrator

Concurring Arbitrators' Signatures



Michael E. Friedman, Esq.

Leo B. Rotter

Robert S. Granas

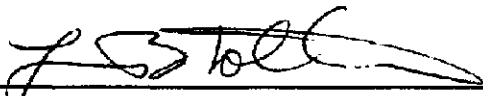
Date of Service: 6/9/98

ARBITRATORS

<u>Name</u>	<u>Arbitrators</u>
Michael E. Friedman, Esq.	Public Arbitrator
Leo B. Rotter	Industry Arbitrator
Robert S. Granas	Public Arbitrator

Concurring Arbitrators' Signatures

Michael E. Friedman, Esq.



Leo B. Rotter

Robert S. Granas

Date of Service: 9 June 1998

ARBITRATORS

<u>Name</u>	<u>Arbitrators</u>
Michael E. Friedman, Esq.	Public Arbitrator
Leo B. Rotter	Industry Arbitrator
Robert S. Granas	Public Arbitrator

Concurring Arbitrators' Signatures

Michael E. Friedman, Esq.

Leo B. Rotter



Robert S. Granas

Date of Service: JUNE 9 1998