

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Stonewall Farms, Ltd.
Robert Barsk

95-00733

Name of Respondents

Stratton Oakmont, Inc.
Daniel Porush
Jordan R. Belfort
Kenneth Greene
Mark Urban
David Heredia

REPRESENTATION

For Claimants appeared Timothy J. Dennin, Esq. of New York, New York.

For Respondents Stratton Oakmont, Inc., Daniel Porush, Jordan R. Belfort, Kenneth Greene and Mark Urban appeared Sandra Grannum, Esq. of Tenzer Greenblatt Fallon & Kaplan, New York, New York.

The Respondent David Heredia did not appear.

CASE INFORMATION

The Statement of Claim was filed on February 13, 1995. Claimants' submission agreement was signed on January 30, 1995.

The Statement of Answer was filed by Respondents Stratton Oakmont, Inc., Daniel Porush, Jordan R. Belfort, Kenneth Greene, Mark Urban and David Heredia on April 17, 1995.

Respondent Stratton Oakmont, Inc.'s Submission Agreement was signed on March 6, 1995.

Respondent Daniel Porush's Submission Agreement was signed on May 10, 1995.

Respondent Jordan R. Belfort's Submission Agreement was signed on March 13, 1995.

Respondent Kenneth Greene's Submission Agreement was signed on March 13, 1995.

Respondent Mark Urban's Submission Agreement was signed on March 15, 1995.

Respondent David Heredia's Submission Agreement was signed on March 8, 1995.

HEARING INFORMATION

Pre-Hearing Conference:	April 3, 1996-	One Session
Hearing Dates/Sessions:	April 15, 1996-	Two Sessions
	April 16, 1996-	Two Sessions
	April 23, 1996-	Two Sessions

The hearings were held at the offices of the NASD located in Atlanta, Georgia.

CASE SUMMARY

Claimant alleged that Respondents Stratton Oakmont, Inc. ("Stratton"), Mark Urban ("Urban") and David Heredia ("Heredia") engaged in a fraudulent scheme to coerce Claimant into purchasing increasing amounts of Stratton stock. Claimant further alleged that Respondents Stratton, Urban and Heredia disregarded his investment objectives of safety and equity growth by recommending highly speculative securities and that they employed hard sell techniques taught by Respondents Jordan R. Belfort, Kenneth Greene and Daniel Porush.

Claimant also alleged that Urban recommended shares of Steve Madden Ltd. stating that the prices were going to increase and that based on these representations he purchased 1,000 shares. Further, Claimant alleged that despite Urban's sure thing, the stock price continued to fall and that the stocks have lost half of their value.

Claimant alleged that Respondent Heredia recommended that he purchase shares of Octagon Inc. ("Octagon") based on certain information he possessed about the company and that Claimant would double his money within a relatively short period of time. Claimant further alleged that based on these representations and Heredia's promise that he would not have to pay for the shares if the value did not increase, he purchased 5,000 shares. Claimant also alleged that when the price began to increase, Respondent Heredia began pressuring him to buy additional stocks and that based on his representations and reassurances, Claimant purchased an additional 5,000 shares. Further, Claimant alleged that he later instructed Heredia to sell his shares of Octagon and that Heredia informed him that he would not sell the shares of Octagon until he received payment. Claimant next alleged that after he paid for the shares of Octagon, Heredia still refused to sell the shares. Claimant further alleged that despite Heredia's promise to sell the shares of Octagon, he instead executed unauthorized purchases of 8,850 Octagon Warrants.

Claimant alleged that Heredia recommended that he purchase shares of Select Media Communications, Inc. ("SMC"), guaranteeing a 100% return on the first day and that based on these recommendations, Claimant purchased 500 shares. Claimant also alleged that he later sold his shares of SMC for a profit but that he never saw the profit as it was rolled over and used to execute an unauthorized purchase of Octagon Warrants.

Claimant alleged that after much haggling, Heredia finally agreed to sell his entire holding in Octagon but instead, Heredia only sold 1/10 of his common stock and failed to sell any of the Warrants. Claimant further alleged that Heredia failed to inform him that he had a pecuniary interest in selling only Stratton stocks and that had he known, he would have never entrusted him with his savings.

Respondents maintained that they deny that they falsely represented any material fact to Claimant. Respondents further maintained that Claimant's account was not a discretionary account and that Claimant pre-approved the trades for his account. Respondents also maintained that Claimant failed to send any written objection to the alleged unauthorized transactions and that instead of objecting as required, he continued to order transactions for his account. Further, Respondents maintained that Claimant was sent prospectuses for many of the securities and that he was fully aware of the nature of the companies whose securities he purchased.

Respondents maintained that all transactions identified in the claim were carried out in conformity with Claimant's instructions and the applicable laws. Respondents further maintained that Claimant's account was traded in furtherance of his speculative and growth investment objectives and that Claimant was fully aware that Respondents typically recommended speculative securities which involved substantial risk. Respondents also maintained that Claimant's relationship was one of an ordinary broker-dealer to a customer and that they owed him no special duty.

RELIEF REQUESTED

Claimants requested damages in the amount of \$170,000.00 plus interest, treble damages, attorney's fees and costs.

Respondents Stratton Oakmont, Inc., Daniel Porush, Jordan R. Belfort, Kenneth Greene, Mark Urban and David Heredia requested a dismissal of the Statement of Claim and that costs be assessed by Claimants.

OTHER ISSUES CONSIDERED & DECIDED

The arbitrators made the following rulings concerning Respondent David Heredia who did not appear at the evidentiary hearing conducted in this matter:

1. Pursuant to Section 1 of the Code of Arbitration Procedure (the "Code"), the panel found subject matter jurisdiction over this entire controversy.
2. The panel found that David Heredia was an associated person of a member of the NASD at the time this controversy arose and therefore, the panel found personal jurisdiction over him pursuant to section 12 of the Code.
3. In addition, in accordance with Sections 21, 26 and 29 of the Code, the panel found that the NASD provided David Heredia with due notice of the hearing conducted in this matter by regular and certified mail. The panel determined to proceed with the hearing without Respondent David Heredia, whose absence was unexcused.
4. All pending motions were denied by the panel.

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. All claims against Respondents Daniel Porush, Jordan R. Belfort, Kenneth Greene and Mark Urban be and hereby are dismissed in their entirety.
2. Respondents Stratton Oakmont, Inc. and David Heredia be and hereby are jointly and severally liable and shall pay Claimants the sum of \$122,000.00.
3. Respondents Stratton Oakmont, Inc. and David Heredia be and hereby are jointly and severally liable and shall pay Claimants the sum of \$25,000.00 representing attorney's fees pursuant to O.C.G.A. § 13-6-11.
4. Respondents Stratton Oakmont, Inc. and David Heredia be and hereby are jointly and severally liable and shall pay Claimants the sum of \$600.00 to reimburse them for their fees previously paid to the NASD.
5. Claimants' request for punitive damages and interest be and hereby are denied.
6. Claimant shall transfer any and all Octagon common shares and warrants still owned by him to Respondent Stratton Oakmont, Inc.
7. All other claims are hereby denied.

FORUM FEES

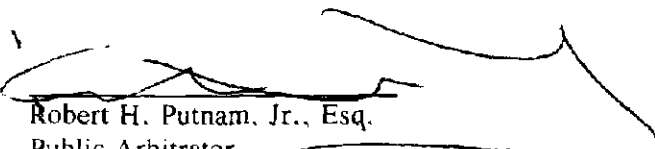
Pursuant to Section 43c of the Code of Arbitration Procedure, the arbitrators have determined that the NASD shall retain the \$250.00 non-refundable filing fee submitted by Claimants and have assessed the following forum fees:

7 Hearing Sessions x \$600.00	= \$4,200.00
less Claimants' hearing session deposit	= <u>\$ 600.00</u>
Total fees outstanding	= \$3,600.00

Respondents Stratton Oakmont, Inc. and David Heredia be and hereby are jointly and severally liable and shall pay to the NASD the sum of \$3,600.00 representing the amount of forum fees outstanding.

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

ARBITRATORS' SIGNATURE



Robert H. Putnam, Jr., Esq.
Public Arbitrator

M. Bruce Adelberg
Industry Arbitrator

Manuel Pressman, CPA
Public Arbitrator

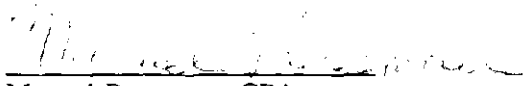
Date of Decision: May 30, 1996

Page Five
Award #95-00733

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Robert H. Putnam, Jr., Esq.
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M. Bruce Adelberg
Industry Arbitrator



Manuel Pressman, CPA
Public Arbitrator

/EXECUTION
Date of ~~Decision~~: 7-22-96

Date of Decision: May 30, 1996

Page Five
Award #95-00733

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Date of Decision: May 30, 1996

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