

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Sterling Computer Svcs. Profit Sh. Plan
Roman J. Sterlin
Marie H. Sterlin
Roman J. & Marie H. Sterlin, JTWROS

95-01102 (consolidated with 95-01104,
95-02315 and 95-02335)

Name of Respondents

Joseph Principe
Dean Kajorus
Berkeley Securities Corp.

REPRESENTATION

For Claimants Sterling Computer Svcs. Profit Sh. Plan, Roman J. Sterlin, and Marie H. Sterlin (collectively referred to as "Claimants") appeared Gregory S. Goodman, Esq., of the law offices of Goodman & Goodman located in Coram, New York.

For Respondent Joseph Principe ("Principe") appeared Darren Lampert, Esq. of the law offices of Lampert & Lampert located in New York, New York.

For Respondent Dean Kajorus ("Kajorus") appeared Darren Lampert, Esq. of the law offices of Lampert & Lampert located in New York, New York.

For Respondent William Baquet ("Baquet") appeared Phyllis Henderson of Berkeley Securities Corp. located in Hicksville, New York.

For Respondent Berkeley Securities Corp. ("Berkeley Securities") appeared Phyllis Henderson of Berkeley Securities Corp. located in Hicksville, New York.

CASE INFORMATION

The Statement of Claim was filed on March 2, 1995. Claimants' Submission Agreement was signed on February 11, 1995.

A Statement of Answer was filed by Principe on June 2, 1995. Respondent Principe's Submission Agreement was signed on May 31, 1995.

A Statement of Answer was filed by Kajorus on June 20, 1995. Respondent Kajorus's Submission Agreement was signed on June 20, 1995.

A Statement of Answer was filed by Baquet on June 5, 1995. Respondent Baquet's Submission Agreement was signed on July 6, 1995

A Statement of Answer was filed by Berkeley Securities on June 5, 1995. Respondent Berkeley Securities' Submission Agreement was signed on July 5, 1995.

HEARING INFORMATION

Pre-Hearing Conference:	November 28, 1995	-	One Session
Hearing Dates/Sessions:	September 11, 1995	-	One Session
	July 22, 1996	-	Two Sessions
	July 23, 1996	-	One Session

The hearings were held at the offices of the National Association of Securities Dealers, Inc. located in New York, New York.

CASE SUMMARY

Claimants alleged that in 1993 and 1994 Respondents disseminated false and misleading information, made specific price predictions, failed to disclose material facts, manipulated prices of securities, recommended unsuitable investments, and failed to properly supervise their employees.

Claimants alleged that on September 29, 1993, Respondent Principe recommended the purchase of shares of Partech Holding. Respondent Principe allegedly estimated the book value of Partech Holding to be \$3.50 and predicted that the company would "spin off" one of its divisions into a separate company which would result in the stock climbing to at least \$4.50. Claimants further alleged that Principe made predictions that the price of Biomune Systems, Inc. ("Biomune") stock would rise to \$30.00 per share. Claimants also alleged that when they raised questions about the disclaimers placed in the analysts opinions as well as an article which appeared in Barrons, Principe commented that a disclaimer is required in the event something went wrong and that the Barrons article was unsubstantiated. Claimants alleged that in each of the transactions involving Biomune, Partech, and Florida West, Principe had made price predictions. Specifically, Principe allegedly predicted that Biomune would reach \$30.00 per share, that Partech would reach \$4.50, and that Florida West would reach \$20.00 per share.

Claimants also alleged that Respondent Berkeley Securities was the investment banker for Biomune and failed to inform the public that drugs manufactured by this company failed certain tests. Claimants contended that instead of disclosing this information, Respondents continued to recommend the stocks to the public. The result of this concealment, as alleged by Claimants, was that the information leaked thus resulting in intensified selling. The selling activity allegedly caused the stock to decline from the high of about \$20.00 to the low of about \$5.00 per share.

Claimants further alleged that respondents failed to execute sell orders based on the transaction involving Biomune. Claimants alleged that on June 22, 1994, two orders to sell shares of Biomune were placed with Respondent Kajorus. At approximately 9:20 a.m., Claimant received an opening indication of \$6.125 - 6.375. Thereafter, at 9:28 a.m., the price indication was \$6.00 - \$6.25. Claimants stated they immediately placed two orders to sell a total of 16,800 shares of Biomune. Claimants alleged that these orders were never executed. Claimants alleged that of the three orders placed with Waterhouse Securities at 9:39 a.m., one order to sell 1500 shares at \$6.00 was executed. Claimants alleged that when they sought an explanation from Kajorus as to why the sell orders placed with Berkeley were not filled, Kajorus apparently replied that other orders were received ahead of claimants' orders.

Claimants attributed this failure to execute the order to Respondents' unwillingness to sell, not due to market conditions. Claimants allegedly placed an order to sell all its holdings of Biomune on June 21, 1994. However, Claimants alleged that Principe tried to dissuade them from selling their Biomune positions. Claimants also attributed their inability to sell shares through Waterhouse Securities. Claimants desired to sell 16,800 shares of Biomune from their accounts at Berkeley Securities prior to selling shares from their Waterhouse accounts. As a result of Respondents failure to execute the sell orders, Claimants' lost the opportunity to fill orders at \$6.00 for all three orders through Waterhouse. Claimant further supported its contention that orders were placed by showing his sell activity with other brokerage firms.

Claimants also alleged that Respondents manipulated the price of Biomune. Respondents allegedly caused the price of Biomune to inflate by allegedly disseminating positive news about the company, along with misleading and deceptive information. Respondents were able to maintain the inflated price level by convincing their clients not to sell their positions. The practice of convincing clients not to sell Biomune shares, as alleged by Claimants, is seen through the activities on June 22, 1994, where Respondents failed to execute the orders for 16,800 shares of Biomune stock. Claimants demonstrated Respondents' ability to manipulate prices of Biomune by alleging that Principe once disclosed that the retail brokers of Berkeley controlled up to 60% of the publicly traded shares. In addition, Respondent Baquet, president of Berkeley Securities, Inc., allegedly held warrants to purchase 1,200,000 shares of common stock, and received a total of 690,000 shares for consulting services.

Further, Claimants contended that Berkeley Securities acted as an agent of Rattlesnake Bar & Grill Holding Company, Inc. and sold private placement agreements to its clients. Respondents allegedly induced Claimants to purchase shares by allegedly making remarks such as "a situation when friends of brokers make money" and the way "the rich get richer." Claimants asserted that they did not understand the meaning of the term "qualified investor", and that Principe advised Claimants on how to complete the forms. Claimants further alleged that Respondents made assurances that the Rattlesnake IPO would take place within a year. Claimants alleged that Respondents recommended unsuitable investments, disseminated false and misleading information, and failed to disclose material facts concerning the investments.

Respondents denied all allegations of wrongdoing asserted against Respondents in the Statement of Claim. Respondents contended that Roman J. Sterlin, a sophisticated investor, made all decisions regarding the Claimants' accounts. Respondents also asserted that Sterlin had personally changed the account designation from a cash account to a margin and option account on the New Account Form. In addition, in conversations between Principe and Sterlin, prior to opening the account, Sterlin allegedly represented to Principe that he made his own investment decisions. Respondents further alleged that Sterlin was a seasoned business professional who provided computer consulting services to many brokerage firms.

Respondents' maintained that Principe made all recommendations in good faith based upon publicly disseminated information. Respondents denied the allegation of specific price predictions. Respondents maintained that in the transactions involving Florida West, Claimants had purchase 1000 shares at \$13.50 per share, and approximately 2 months later, a sell order was placed to sell 1000 shares at \$13.50 per share. Thus, Respondents argued, if Principe made a specific price prediction that Florida West was to trade up to \$20.00 per share and Sterlin had relied upon this purported prediction in making his investment decision, it would not have been logical for Sterlin to sell his Florida West shares at \$13.50.

Respondents further maintained that the allegations of failure to execute sell orders was Claimants' attempt to hold Respondents liable for unrealized profits of \$.75 per share on Biomune. Respondents stated that since the June 22 incident, Claimants continued to conduct business with Respondents. Respondents argued that Claimants had never contacted anyone in authority at Berkeley Securities to complain or inquire about the alleged failure to execute, even when Claimants held meetings with Berkeley Securities' Director of Compliance regarding the tax deferment qualifications of his Profit Sharing Plan, which took place in August of 1994.

Respondents denied all allegations regarding Rattlesnake, Inc. Respondents contended that Claimants were provided with a private placement memorandum and that Claimants completed and executed subscription agreements certifying their financial data and investment information proving them to be accredited investors. Furthermore, Respondents contend that Claimants admitted in their Statement of Claim to conducting their own due diligence, visiting the company-owned restaurant in Norwalk, Connecticut, and participating in many in-depth conversations with the management of Rattlesnake and their attorneys.

RELIEF REQUESTED

Claimants requested an award jointly and severally against respondents for:

- a. Compensatory damages in the amount of \$468,813.00.
- b. Punitive damages of \$347,433.00 to punish respondents for their wrongful conduct and to deter respondents from engaging in such conduct in the future.

Respondent Kajorus requested that the Statement of Claim be dismissed in its entirety, and for such relief as is just.

Respondent Principe requested that the Statement of Claim be dismissed in its entirety, and for such relief as is just.

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

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

OTHER ISSUES CONSIDERED & DECIDED

At the hearing, the panel was advised that Claimants, by stipulation, agreed to withdraw any and all claims with respect to Rattlesnake Bar & Grill Holding Company, Inc.

Claimant made a motion to recuse the entire Panel which was denied by each member of the panel.

Respondents' motion to dismiss the Statement of Claim for Claimants' failure to produce documents as ordered by the arbitration panel was denied.

Respondents' filed a Motion to Consolidate cases 95-01102, 95-01104, 95-02315, and 95-02335 pursuant to Section 10314 (formerly Section 25) of the Code of Arbitration Procedure. The Motion was granted and the cases consolidated for hearing and award purposes.

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. Claimants' claims in all four arbitrations be and are hereby dismissed in their entirety.
2. All other claims are hereby denied.
3. Each party shall bear its respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the arbitrators have assessed the following forum fees:

Non - Refundable Filing Fee	=	\$ 250.00
1 Pre-hearing conference x \$ 300.00	=	\$ 300.00
4 Hearing sessions x \$1000.00	=	\$4,000.00
1 Postponement Fee @ \$1000.00	=	\$1,000.00
Minus Hearing Session Deposit by Claimants	=	\$2,300.00

Total fees outstanding	=	\$5,550.00
------------------------	---	------------

The arbitrators have determined that Claimants shall be liable for the entire cost of this arbitration. Therefore Claimants are liable to and shall pay the NASD the sum of \$5,550.00 minus \$2,900.00 previously deposited by Claimants with NASD Regulation, Inc. Therefore, the amount due and owing to NASD Regulation, Inc. is \$2,650.00 representing the amount of forum fees outstanding.

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

ARBITRATORS' SIGNATURES




Andrew Berger, Esq.
Public Chairperson

Dorothy F. Gray, Esq.
Public Panelist

Anne C. Flannery, Esq.
Industry Panelist

I, Andrew Berger, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.



Andrew Berger, Esq.

I, Dorothy F. Gray, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

Dorothy F. Gray, Esq.

I, Anne C. Flannery, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

Anne C. Flannery, Esq.

Date of Decision: October 15, 1996

ARBITRATORS' SIGNATURES

Andrew Berger, Esq.
Public Chairperson



Dorothy F. Gray, Esq.
Public Panelist

Anne C. Flannery, Esq.
Industry Panelist

I, Andrew Berger, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

Andrew Berger, Esq.

I, Dorothy F. Gray, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.



Dorothy F. Gray, Esq.

I, Anne C. Flannery, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

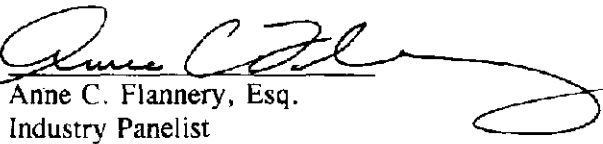
Anne C. Flannery, Esq.

Date of Decision: October 15, 1996

ARBITRATORS' SIGNATURES

Andrew Berger, Esq.
Public Chairperson

Dorothy F. Gray, Esq.
Public Panelist



Anne C. Flannery, Esq.
Industry Panelist

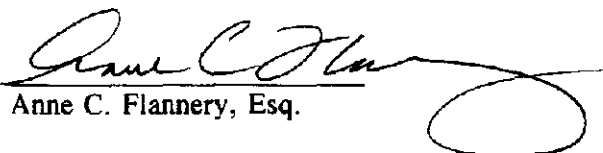
I, Andrew Berger, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

Andrew Berger, Esq.

I, Dorothy F. Gray, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.

Dorothy F. Gray, Esq.

I, Anne C. Flannery, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law & Rules, that I am the individual described herein, and who executed this instrument which is my award.



Anne C. Flannery, Esq.

Date of Decision: October 15, 1996