

NASD REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION

In the Matter of the Arbitration Between

Name of Claimant

Thomas Roth

95-01474

Name of Respondent

Jordan Belfort
Matthew L. Bloom
Christopher Finkle
Daniel Porush
Stratton Oakmont, Inc.

REPRESENTATION

For Claimant Thomas R. Roth ("Claimant"): Richard C. Szuch, Esq. and Nancy Chung, Esq., of the law firm of Lowenstein, Sandler, Kohl, Fisher & Boylan, Roseland, N.J.

For Respondent Stratton Oakmont, Inc. ("Stratton"): pro se (after withdrawal of counsel Ronald D. Schindler, Esq., of the law firm of Fowler White Burnett Hurley Banick & Strickroot, P.A., Miami, FL on December 19, 1996.)

For Respondent Daniel Porush ("Porush"): Charles Stillman, Esq., of the law firm of Stillman, Friedman & Shaw, New York, N.Y.

For Respondent Jordan Belfort ("Belfort"): Franklin Ormsten, Esq., of the law firm of Ormsten & Evangelist, Jericho, N.Y.

For Respondent Christopher Finkle ("Finkle"): pro se (after withdrawal of counsel David Hirschberg, Esq. of the law firm of Wexler & Burkhardt, P.C., Mitchel Field, N.Y. on December 13, 1996.)

For Respondent Matthew Bloom ("Bloom"): Steven G. Mintz, Esq., of the law firm of Mintz & Gold, New York, N.Y. (all action against this Respondent stayed, pursuant to his filing Chapter 7 Bankruptcy in the U. S. Bankruptcy Court, Southern District of New York.)

CASE INFORMATION

Statement of Claim filed: March 22, 1995

Claimant's Submission Agreement signed on: March 21, 1995

Amended Statement of Claim filed: October 11, 1995

Respondents Stratton, Porush, Belfort, Finkle, and Bloom (collectively referred to as Respondents) Joint Statement of Answer and Motion to Dismiss and to Strike Portions filed: May 26, 1995

Respondents' Submission Agreements signed:

Belfort: April 20, 1995
Bloom: April 20, 1995
Porush: April 20, 1995
Stratton: April 20, 1995

Finkle did not file a Submission Agreement.

Joint Statement of Answer filed: October 23, 1995

HEARING INFORMATION

Prehearing telephone conference was held as follows:

March 25, 1996 - 1 session

The evidentiary hearing was held in Washington, D.C. as follows:

April 4, 1996	-	2 sessions
April 5, 1996	-	2 sessions
June 10, 1996	-	2 sessions
June 11, 1996	-	2 sessions
June 12, 1996	-	2 sessions
September 17, 1996	-	2 sessions
September 27, 1996	-	2 sessions
November 1, 1996	-	2 sessions
November 4, 1996	-	2 sessions
November 5, 1996	-	2 sessions
November 6, 1996	-	3 sessions
November 7, 1996	-	2 sessions
November 25, 1996	-	3 sessions
November 26, 1996	-	2 sessions
December 16, 1996	-	3 sessions
Total	=	33 hearing sessions and 1 pre hearing session

CASE SUMMARY

Claimant alleged, among other things, that Respondents violated Section 10(b) of the Securities Exchange Act of 1934 and Rules 10b-5 and 10b-6 thereunder and Article III, Sections 1, 2, 4 and 18 of the NASD's Rules of Fair Practice, by virtue of their failure to deal with Claimant fairly and equitably and in accordance with just and equitable principles of trade (as amended at the hearing), specifically:

By trading in Claimant's account without his authorization;

By making misstatements about, or by omitting to disclose, material information regarding investments recommended to Claimant;

By executing trades in Claimant's account that were excessive in size and frequency for the purpose of generating commissions;

By manipulating the market in the securities in which Claimant was invested;

By failing to disclose excessive mark-ups for transactions in Claimant's account;

By failing to adequately supervise the retail sales force, including Finkle and Bloom, and by failing to supervise the conduct of Claimant's account;

By actively engaging in an investment strategy, including investments in high risk and speculative securities such as warrants, through trades that were excessive in size and frequency and that were therefore unsuitable and inconsistent with Claimant's investment objectives;

By front-running, as evidenced by a pattern of self-dealing by Stratton and its principals and/or associated and favored persons, in the securities that Claimant purchased;

By violating free-riding and withholding rules prohibiting insiders from purchasing IPOs that were hot issues;

By trading for themselves based on inside information to Claimant's detriment;

By paying undisclosed compensation to Belfort, a person barred from the securities industry, and by paying undisclosed compensation to Porush and others;

By making negligent misrepresentations;

By breaching their fiduciary duty to Claimant;

By failing to have in effect, and by failing to enforce, adequate supervisory procedures;

By violating the civil RICO statute, 18 U.S.C. Section 1962 et seq.; and

By obtaining money through false pretenses, false representations and actual fraud, upon which Claimant justifiably relied, and from which punitive damages flow, because the damages relate to the same course of fraudulent conduct that necessitate an award of compensatory damages.

Respondents categorically denied all allegations of wrongdoing asserted by Claimant and specifically maintained, among other things (as amended at the hearing):

There was no manipulation of the market in any security sold by Stratton;

There were no excessive or undisclosed mark-ups charged in Claimant's account or any other account;

There were no material misstatements or omissions regarding securities sold to Claimant;

There was no unauthorized trading;

The activity in Claimant's account and Stratton's retail sales force were properly supervised;

There was no churning in the account;

All transactions in Claimant's account were suitable;

There was no front-running or free-riding or withholding violations;

No trades based on inside information were executed by any of the Respondents or any Stratton employee;

Neither Belfort nor any other person was paid undisclosed compensation;

There were no negligent misrepresentations;

There was no breach of a fiduciary duty, if one existed;

There was in effect, and there was enforced, adequate supervisory procedures;

There was no RICO violation; and

There was no fraud.

RELIEF REQUESTED

Claimant requested at the hearing, among other relief, a joint and several judgment against each of the Respondents for:

\$4,880,000 compensatory damages (including prehearing interest);

Expert fees, totaling \$39,569.39;
Attorneys' fees and costs totaling \$341,014.91;
Forum fees;
Punitive damages; and
Three-fold damages, pursuant to the RICO statute, 18 U.S.C. Section 1964(c).

Claimant also requested that the Panel specifically and explicitly state that its award is based upon a finding of fraud.

Respondents requested that Claimant's claims be dismissed in their entirety and that costs of this arbitration be assessed against Claimant.

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 NASD Regulation.

Various motions were made by the Respondents during the hearing on the merits, including a motion to strike portions of Claimant's claim and motion to recuse the Panel, these motions were denied.

Claimant made a motion to sanction Respondents, including Claimant's motion for an interim award of attorneys' fees, this motion was granted in an interim order issued by the Panel on August 28, 1996.

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. That Respondents Stratton and Porush are jointly and severally liable to Claimant and shall pay to Claimant the sum of \$2,995,000.00;
2. That Respondent Belfort is liable to Claimant and shall pay Claimant the sum of \$451,240.00;
3. That Respondent Finkle is liable to Claimant and shall pay to Claimant the sum of \$5,000.00;
4. That Respondents Stratton and Porush are jointly and severally liable and shall pay to Claimant the sum of \$50,000.00 as attorneys' fees for failure to produce discovery materials, said sanctions are being awarded in addition to the sanction contained in the Interim Order by the Panel of \$22,000.00.
5. Except for the earlier award of \$22,000.00, the foregoing award or any portion remaining unpaid shall bear interest at a rate of eight percent (8%) compound interest per annum from January 1, 1997 until the date the award is paid.
6. On August 28, 1996 the Panel issued an Interim Order which ordered Respondent Stratton to pay to Claimant the sum of \$22,000.00 as interim attorneys' fees as a sanction for failure to comply with its discovery obligation. The said award of \$22,000.00 shall bear interest at a rate of eight percent (8%) compound interest per annum from August 28, 1996 until the date the award is paid.
7. Other than the assessment of Claimant's attorneys' fees addressed in paragraph 5 and 6, each party shall bear his/its respective costs and attorneys' fees.
8. As to the monetary damages reflected in paragraphs 1, the Panel finds that fraud as defined in the United States Bankruptcy Code, 11 U.S.C. 523 ("Section 523") and Section 1141(d)(2) ("Section 1141"), was intentionally committed against Claimant by Respondents Stratton and Porush and can not be discharged in bankruptcy. Respondents Stratton and Porush provided Claimant services and property under false pretenses and committed actual fraud.
9. That no finding on the merits has been made concerning Respondent Bloom in this arbitration. The Panel was notified by Respondent Bloom on Monday, December 16, 1996 that the U. S. Bankruptcy Court, Southern District of New York had accepted

Respondent Bloom's bankruptcy petition thereby staying this arbitration.

10. Claimant's request for expert witness fees is denied in its entirety.
11. Claimant's request for punitive damages is denied in its entirety.
12. Claimant's request pursuant to the RICO statute, 18 U.S.C. Section 1964(c) for treble damages is denied in its entirety.
13. The parties shall bear their respective costs except as attorneys' fees and forum fees are specifically addressed herein.
14. Any and all requests for relief not specifically addressed herein is denied.

OTHER COSTS

All costs of Claimant's expert participating by telephone will be borne by Claimant. An invoice for this administrative charge will be sent to the Claimant.

FORUM FEES

Pursuant to Rule 10332 of the Code of Arbitration Procedure, the NASD Regulation shall retain the \$250.00 non-refundable filing fee paid by Claimant.

Total hearing session fees:

Prehearing conference @ \$300/session	\$ 300.00
33 hearing sessions @ \$1000/session	\$33,000.00
Claimant's hearing session fee previously filed	(\$1,000.00)
Balance due on forum fees	\$32,300.00

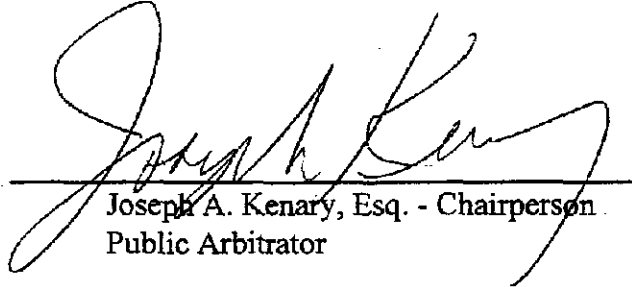
The Panel has assessed all forum fees against Respondents Stratton and Porush jointly and severally. Respondents Stratton and Porush shall pay forum fees in the amount of \$32,300.00 to the National Association of Securities Dealers Regulation, Inc. Respondent Stratton is directed to reimburse to Claimant his hearing session deposit of \$1,000.00.

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

Date Award Signed

12/30/96

Concurring Arbitrators' Signatures



Joseph A. Kenary, Esq. - Chairperson
Public Arbitrator

Albert D. Sturtevant, Esq. - Panelist
Public Arbitrator

Lois J. Cohen, Esq. - Panelist
Industry Arbitrator

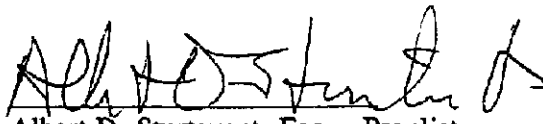
Date Award Served by NASD Regulation, Inc.: January 2, 1997

Date Award Signed

Concurring Arbitrators Signatures

Joseph A. Kenary, Esq. - Chairperson
Public Arbitrator

12/30/96


Albert D. Sturtevant, Esq. - Panelist
Public Arbitrator

Lois J. Cohen, Esq. - Panelist
Industry Arbitrator

Date Award Served by NASD Regulation, Inc.: January 2, 1997

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Date Award Signed

Concurring Arbitrators Signatures

Joseph A. Kenary, Esq. - Chairperson
Public Arbitrator

Albert D. Sturtevant, Esq. - Panelist
Public Arbitrator

1/2/97

Lois J. Cohen, Esq.
Lois J. Cohen, Esq. - Panelist
Industry Arbitrator

Date Award Served by NASD Regulation, Inc.: January 2, 1997