

NASD REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION

In the Matter of the Arbitration Between

Name of Claimant

Reston Association

96-00795

Name of Respondents

Fletcher Hayden Bookout
Prudential Securities, Inc.

REPRESENTATION

For Claimant Reston Association ("Claimant"): Daniel A. Ball, Esq. of the law firm of Lewis, Goldberg & Ball, P.C., McLean, VA

For Respondent Prudential Securities, Inc. ("PSI"): Christopher Freeze, Assistant General Counsel, Prudential Securities, Inc., New York, NY

For Respondent Fletcher Hayden Bookout ("Bookout"): Jerald David Mize, Esq. of the law firm of Crain, Caton & James, Houston, TX

CASE INFORMATION

Statement of Claim filed: February 23, 1996

Claimant's Submission Agreement signed on: February 21, 1996

Statement of Answer filed by PSI on: April 29, 1996

PSI's Submission Agreement signed on: July 25, 1996

Statement of Answer filed by Bookout on: April 24, 1996

Bookout's Submission Agreement signed on: April 18, 1996

HEARING INFORMATION

Hearing Dates/Sessions:

December 17, 1996 - two sessions

December 18, 1996 - two sessions

Hearing Location: ANA Hotel, Washington, D.C.

CASE SUMMARY

Claimant alleged, among other things, that while Bookout was a representative of High Yield Management Securities, Inc. and its successor, HYM Financial, Inc. ("HYM"), he solicited and sold to Claimant two collateral mortgage obligations ("CMOs"): Fannie Mae REMIC Trust 1993-G37 Class H (principal only, support class) for \$270,660.47; and Freddie Mac REMIC Series 1640 Class SA (inverse floater, support class) for \$198,018. Claimant alleged that after Bookout became a representative of PSI, he solicited and sold Claimant another CMO: Freddie Mac REMIC 1697, Class A for \$281,905.70. Claimant alleged that these classes of CMOs were unsuitable, extremely risky, volatile, did not meet Claimant's investment objectives, and were recommended without any reasonable basis. Claimant further alleged violations of the NASD Rules of Fair Practice, federal and state securities statutes, breach of fiduciary duty, negligence, common law fraud, and negligent misrepresentations and omissions.

Bookout categorically denied all allegations of wrongdoing. Bookout maintained, among other things, that Claimant failed to present a claim upon which relief may be granted. Bookout maintained that he disclosed all relevant information to Claimant. Bookout maintained that Claimant was a sophisticated and knowledgeable purchaser of securities who made independent evaluations upon which its investment decisions were based. Bookout maintained that monthly account statements from HYM and PSI fully disclosed the securities purchased and their value from month to month. Bookout maintained that Claimant, after being put on notice that the nature and risks of the securities made subsequent purchases of securities of the same kind. Bookout maintained that such acts estop Claimant from asserting the securities are unsuitable. Bookout maintained that Claimant failed to make any complaint to Respondents for almost two years after the purchases thus this claim constitutes laches and bars Claimant from recovering on its claim. Bookout maintained that the damages sustained by Claimant were caused or contributed to by its own negligence.

PSI categorically denied all allegations of wrongdoing. PSI maintained, among other things, that it is not responsible for Claimant's present dissatisfaction with the prior performance of its investment decisions. PSI maintained that during the period Claimant had an account with it,

Claimant received monthly securities account statements and a confirmation statement evidencing the purchase in question. PSI maintained that at no time did Claimant complain about the purchase in its account. PSI denied that Bookout made unsuitable investments for Claimant. PSI maintained that Claimant's account was handled properly in accordance with Claimant's investment objective. PSI maintained that Bookout disclosed all material information to Claimant and that Claimant controlled the investing in its account. PSI maintained that there was no violations of either federal or state securities laws, that it did not breach its fiduciary duty, that it was not negligent and that no material misrepresentations occurred.

RELIEF REQUESTED

Claimant, at the hearing, requested damages against Bookout on Trust 1993-G37 Class H in the amount of \$152,153, plus interest, and on Trust 1640 Class SA damages in the amount of \$42,018.75 or its rescission. Claimant further sought interest, commissions and markups, punitive damages, attorneys' fees plus costs, including expert fees, the arbitration filing fees and forum fees.

PSI, in its pleading, requested judgment in its favor, that it be awarded costs, expenses and reasonable attorney's fees.

Bookout, in his pleading, requested that Claimant's claim be dismissed with prejudice with costs of this proceeding 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 the NASD.

Upon commencement of the hearing, Claimant dismissed PSI.

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 Claimant's claim is denied in its entirety.

2. Claimant's claim for punitive is denied in its entirety.
3. That the parties shall bear their respective costs including attorneys' fees except as forum fees are specifically provided for below.
4. Any and all damages not addressed herein are denied in their entirety.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

4 hearing sessions x \$750 = \$3,000

Forum Fees Assessed Against: Claimant.

Claimant is assessed forum fees in the amount of \$3,000.00; however, Claimant is entitled to offset this amount with its hearing session deposit of \$750 so that the amount due from Claimant as forum fees is \$2,250.

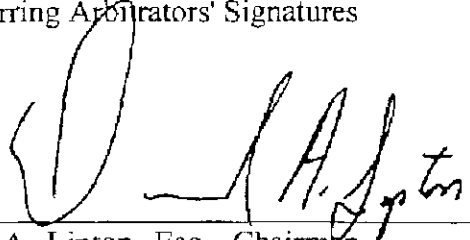
Fees are payable to the NASD Regulation, Inc.

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Date Award Signed

January 21, 1997

Concurring Arbitrators' Signatures



David A. Lipton, Esq., Chairman
Public Arbitrator

Robert L. Dennis, Panelist
Public Arbitrator

John P. Rodler, Panelist
Industry Arbitrator

Date Award Served by the NASD Regulation:

January 22, 1997

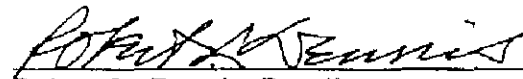
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Public Arbitrator

1-21-97


Robert L. Dennis, Panelist
Public Arbitrator

John P. Rodler, Panelist
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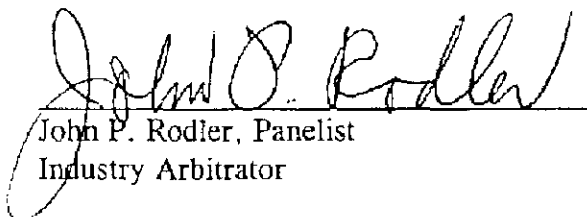
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David A. Lipton, Esq., Chairman
Public Arbitrator

Robert L. Dennis, Panelist
Public Arbitrator

Jan. 21, 1997


John P. Rodler, Panelist
Industry Arbitrator

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