

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION

In the Matter of the Arbitration Between

Name of Claimant

Prudential Securities, Inc.

96-00911

Name of Respondent

Bruce Eaton

REPRESENTATION

Claimant Prudential Securities, Inc. ("Claimant") was represented by Christopher Freeze, Esq., Prudential Securities, Inc., New York, NY.

Respondent Bruce Eaton ("Respondent") was represented by Larry Pearman, Esq., Greensboro, NC.

CASE INFORMATION

The Statement of Claim was filed February 29, 1996.

Claimant's Uniform Submission Agreement was signed February 29, 1996.

Respondent's Answer was filed May 22, 1996.

Respondent did not file an executed submission to arbitrate.

HEARING INFORMATION

Hearing Date/Sessions: December 6, 1996/two sessions

Hearing Location: Ramada Limited
Greensboro, NC

CASE SUMMARY

Claimant alleged that Respondent entered into an employment agreement on March 27, 1995 with Claimant. Claimant alleged that Respondent was loaned \$124,000.00 when he became employed by Claimant. Claimant alleged that Respondent voluntarily signed a promissory note by which Respondent is obligated to repay the loan plus interest at seven percent (7%) per annum in forty-three equal payments of \$2,883.72. Claimant alleged that the terms of the agreement stated that \$2,883.72 plus accrued interest was to be deducted from Respondent's net commission check after taxes at the end of each commission month beginning September 1995, with the last deduction to occur in March 1999. Claimant alleged that the terms of the agreement further stated that the remaining balance would become immediately due and payable should the termination, for whatever reason, of Respondent's employment with Claimant. Claimant alleged that on January 26, 1996, Respondent resigned his employment with Claimant. Claimant alleged that the balance of \$105,581.40, representing the unpaid portion of the loan,

became due on that date. Claimant further alleged under the terms of the agreement, Claimant was to pay Respondent transitional compensation in the amount of \$124,000.00, which sum was to be paid in forty-three equal installments of \$2,883.72 beginning in September 1995. However, Claimant alleged that based on the terms of the agreement, Respondent was not entitled to such unearned transitional compensation if Respondent resigned or was terminated for cause prior to completing four (4) years of employment with Claimant. Claimant alleged that demand was made of Respondent for the loan amount due under the promissory note but Respondent failed and refused to honor the obligation.

Respondent denied owing the monies demanded by Claimant. Respondent agreed that he did become employed by Claimant in March 1995 and terminated that employment in January 1996. However, Respondent maintained that the employment contract and promissory note which were executed by Respondent was for the purpose of structuring Respondent's bonus for income tax purposes. Respondent maintained that the transitional compensation was for the sole purpose of insuring the transfer of over seven million dollars (\$7 Million) in accounts from Respondent's former employer to Claimant. Respondent maintained that the business transferred to Claimant remained with Claimant when Respondent terminated his employment. In fact, Respondent maintained that Respondent contacted several of his former clients and informed them he was leaving Claimant's employment but encouraged them to maintain their accounts with Claimant. Therefore, there are no monies due to Claimant.

RELIEF REQUESTED

Claimant requested relief in the sum of \$116,043.60; 7% interest from date of hearing until the note is paid; and the cost of collection and this arbitration including reasonable attorneys' fees as agreed to in the employment contract.

Respondent requested that the statement of claim be dismissed with prejudice; and that Respondent be awarded attorney's fees.

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.

The panel considered Respondent's Motion for a Change of Venue and Claimant's Response thereto, and granted the Motion. Therefore, the hearing location will be Greensboro, North Carolina.

The panel considered Respondent's Motion To Dismiss and Claimant's Response thereto, the Motion was denied.

That pursuant to the by-laws of the NASD, the panel determined that Respondent Eaton was required to submit to this arbitration, notwithstanding his failure to submit an executed submission to arbitrate. Therefore, Respondent is bound by the panel's rulings and determinations.

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. Respondent Eaton is liable to and shall pay to Claimant the sum of \$116,043.60 plus seven percent (7%) interest per annum from December 7, 1996 until paid.
2. Each party shall bear its own costs and expenses except as specifically addressed in the Forum Fees portion of the Award.
3. Any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10205(c) (formerly Section 44) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

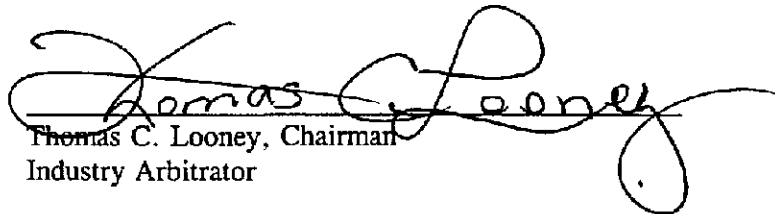
1 sessions x \$750.00 = \$750.00

Forum Fees are assessed to Claimant. Claimant shall receive credit for the \$750.00 hearing session deposit previously submitted to the NASD Regulation. Therefore, no further forum fees are due.

DATE

12-11-96

CONCURRING ARBITRATORS' SIGNATURES


Thomas C. Looney, Chairman
Industry Arbitrator

Glenn R. Oxner
Industry Arbitrator

Guy L. Nichols
Industry Arbitrator

Date Decision Served by NASD Regulation:

December 23, 1996

AWARD

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Industry Arbitrator

12-16-96



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Guy L. Nichols
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