

N.A.S.D. AWARD

NASD REGULATION, INC., OFFICE OF DISPUTE RESOLUTION

In the Matter of the Arbitration Between

Name of Claimant

Joseph N. DiNatale, Guardian of the
Estate of John Muldowney

96-01383

Name of Respondents

Chatfield Dean & Company, Inc.;
Michael G. Strnad;
Sean M. Martin

REPRESENTATION

For Claimant: Joseph N. DiNatale, guardian of the estate of Joseph Muldowney ("Muldowney") was represented by Joseph T. Moriarty, Esq. of Erbacci, Cerone & Moriarty, Ltd., located in Chicago, Illinois.

For Respondent: Chatfield Dean & Co., Inc. ("Chatfield Dean") was represented by Christa D. Taylor, Esq. of Chatfield Dean & Co., Inc., Greenwood Village, Colorado.

Michael Strnad ("Strnad") and Sean Martin ("Martin") did not appear at hearing.

CASE INFORMATION

Statement of Claim filed: March 29, 1996.

Claimant's Submission Agreement signed on: March 21, 1996.

Statement of Answer filed by Respondent Chatfield Dean on: June 4, 1996.

Respondent Chatfield Dean's Submission Agreement signed on: June 5, 1996.

Strnad and Martin did not file a Statement of Answer or Submission Agreement.

HEARING INFORMATION

Pre-Hearing Conference: None Held.

Hearing Dates/Sessions: May 1, 1997 for Two (2) sessions.

Hearing Location: Chicago, Illinois.

CASE SUMMARY

Claimant alleged that Respondents Strnad and Martin, while employed by or acting as agents for

Respondent Chatfield Dean, took advantage of Muldowney's mental illness and induced him to purchase speculative stocks. As alleged in the Claim, Respondents knew of Muldowney's mental incapacity, but solicited his business despite this knowledge, made material misrepresentations to Muldowney and exercised undue influence over him. As a result, respondents caused Muldowney to cash in certificates of deposit at a penalty to purchase shares of Royce Laboratories, resulting in a substantial loss.

Respondent Chatfield Dean denied the material allegations of the statement of claim, alleging that it did not know that Muldowney was mentally impaired until it received the Illinois court order naming DiNatale his guardian. In addition, Chatfield Dean alleged that the claims involving Royce Laboratories stock had been adjudicated by a class action lawsuit. Furthermore, Chatfield Dean asserted several affirmative defenses.

Respondents Strnad and Martin did not file an answer.

RELIEF REQUESTED

Claimant requested entry of an award against Respondents for \$96,976.82 in actual damages.

Respondent Chatfield Dean requested that the claim be denied.

OTHER ISSUES CONSIDERED & DECIDED

Respondents Strnad and Martin did not file an executed submission agreement, a statement of answer, or appear at hearing. Pursuant to Section 10301, Respondents Strnad and Martin are required to submit to arbitration. The panel, upon review of the correspondence sent to Strnad and Martin, as well as the representations by Claimant's counsel, determined that Respondent Strnad and Martin had received due notice of the hearing as required by Section 10318 of the Code of Arbitration Procedure. Accordingly, the Panel proceeded with the arbitration.

By letter dated April 29, 1997, the Office of Dispute Resolution was notified that a settlement had been reached between Chatfield Dean and claimant. Therefore, the claims against Respondent Chatfield Dean & Co., Inc. are dismissed with prejudice.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent Michael Strnad is liable for and shall pay to the Claimant, Joseph N. DiNatale, as guardian of the Estate of John Muldowney, the sum of \$20,265.00 as actual damages;
2. In addition, Respondent Sean Martin is liable for and shall pay to the Claimant, Joseph N. DiNatale, as guardian of the Estate of John Muldowney, the sum of \$39,775.00 as

actual damages;

3. The parties shall bear their own costs of arbitration, including attorneys' fees, except for those specifically enumerated herein; and

4. Any relief not specifically awarded is hereby denied.

OTHER COSTS

The NASD Regulation, Inc., Office of Dispute Resolution shall refund \$300.00 to Respondent Chatfield Dean & Co., Inc. which was an overpayment of the member surcharge required under Section 10333 of the Code of Arbitration Procedure.

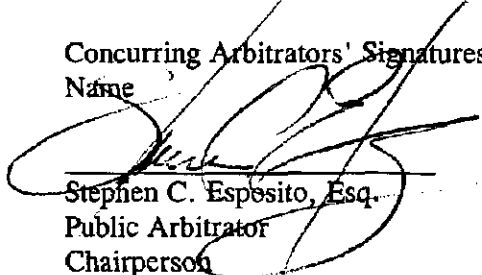
FORUM FEES

Pursuant to Section 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed: Two (2) hearing sessions x \$500.00 per session = \$1,000.00.

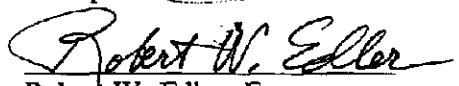
The NASD Regulation, Inc., Office of Dispute Resolution shall retain the \$150.00 non-refundable claim filing fee and refund the \$500.00 hearing session deposit previously paid by the Claimant, Joseph N. DiNatale, as guardian for the Estate of John Muldowney. Respondents Michael Strnad and Sean Martin are jointly and severally liable for and shall pay to the NASD Regulation, Inc., Office of Dispute Resolution the sum of \$1,000.00 as forum fees.

Concurring Arbitrators' Signatures
Name

Date


Stephen C. Esposito, Esq.
Public Arbitrator
Chairperson

7/9/97


Robert W. Edler, Esq.
Public Arbitrator

July 15, 1997


Gregg Rzepczynski, Esq.
Industry Arbitrator

7/16/97