

OFFICE OF DISPUTE RESOLUTION

In the Matter of the Arbitration Between

Name of Claimants

Francesco Rappa
Rosa Rappa
Vincenzo Rappa

96-02318

Name of Respondents

Marsh Block & Co., Inc.
John Averyt

REPRESENTATION

For Claimants Francesco, Rosa, and Vincenzo Rappa ("Claimants") appeared Nicholas D. Thomas, Esq., of Raleigh, North Carolina.

For Respondents Marsh Block & Co. ("MBC"), and John Averyt ("Averyt"), appeared David W. Parsons, Esq., of Marsh Block & Company, Inc., located in New York City, New York.

CASE INFORMATION

Statement of Claim filed: May 30, 1996.

Claimant's Submission Agreement signed on: May 24, 1996.

Joint Statement of Answer filed by Respondents, MBC and Averyt, on: July 24, 1996.

Respondent MBC's Submission Agreement signed on: July 24, 1996.

Respondent Averyt's Submission Agreement signed on: July 24, 1996.

HEARING INFORMATION

Pre-Hearing Conference: April 2, 1997 - One Sessions

Hearing Date(s)/Sessions: May 8, 1997 - Three Sessions

The hearings were held at the Marriott Hotel located in Raleigh, North Carolina.

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CASE SUMMARY

Claimants alleged that Frank Rappa was a relatively unsophisticated investor with a short history of investing on behalf of his wife, children and himself. Claimants alleged that Frank Rappa contacted MBC in January 1993 to inquire about possible discounted brokerage commissions. Claimants alleged that Frank Rappa was interested in purchasing high-tech stocks that he had been reading about in the news paper. Claimants alleged Frank Rappa specifically indicated to MBC new account representative that he wanted to invest in low to moderate risk investments.

Claimants alleged that Frank Rappa was transferred to Avert and reiterated his investment goals, however, Avert recommended against purchasing high-tech stocks and recommended a small company which Avert was following called Integrated Resources ("Integrated"). Claimants alleged that Avert stated that Integrated held lucrative environmental clean up contracts with Mexico. Claimants allege that based on these representations Frank Rappa purchased \$8,000.00 worth of Integrated, and after Avert's urging Frank Rappa purchased additional shares for an aggregate investment of \$35,000.00.

Claimants alleged that in February 1993, Avert called Frank Rappa and told him to sell Integrated and purchase International Sportsfest ("Sportsfest"). Claimants alleged that Avert stated that Sportsfest was a profitable company that was about to announce large contracts to provide solar energy to governments in Africa.

Claimants allege that Frank Rappa resisted the sale, however, after repeated phone calls Avert pressured Frank Rappa into the transaction. Claimants alleged that Avert stated that he was placing his best customers in Sportsfest and that Mr. Rappa should act quickly so as to not miss out on the opportunity. Claimants alleged that Integrated was sold and the proceeds of the sale (\$45,000.00) were used to buy Sportsfest on March 1, 1993. In addition, claimants alleged that on March 5, 1993 an additional \$18,600.00 was invested in Sportsfest at Avert urging.

Claimant alleged that following the purchase of Sportsfest the shares declined steadily in value. Claimants alleged that Frank Rappa instructed Avert to sell the shares if they declined to \$7.00 per share, but, Avert convinced Frank Rappa to hold the investment stating the shares would be listed in the newspaper which would help drive the price up. Claimants alleged that at the time of the purchase, Sportsfest was a "shell" company with no operating revenues or profits and that it was a self described development style company.

Claimants alleged that in December 1993 Avert contacted Frank Rappa and urged a purchase of Best Resources ("Best"). Claimant alleged that Frank Rappa declined since he had already suffered too much in losses. However, Claimants alleged that Vincenzo Rappa, through his brother Frank who had power of attorney, invested a total of \$9,750.00 in Best. Claimants alleged that Best, like Sportsfest, was another speculative issue that quickly declined in price.

Respondents entered a general denial to the allegations in the Statement of Claim. Respondents specifically maintained that Avert telephoned Frank Rappa on one occasion to recommend the purchase of Sportsfest, and that Frank Rappa agreed to the purchase, using the profits from the sale of Integrated to make the purchase.

Respondents maintained that prior to the purchase of Sportsfest, all aspects of the company's business were fully disclosed to Frank Rappa. Finally, Respondents maintained that Avert acquainted Frank Rappa with the securities of Best, and that while Frank Rappa declined to purchase the stock, he made an investment in Best on his brother's behalf.

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RELIEF REQUESTED

Claimants requested compensatory damages in excess of \$50,000.00 and less than \$100,000.00, plus interest, punitive damages, and all costs and attorneys fees.

Respondents Marsh Block & Co. and Averyt maintained that Claimant's claim is without merit, and requested that it be dismissed with prejudice, and that Respondents be awarded all costs, expenses, and attorney's fees.

AWARD

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

1. Respondents Marsh Block & Co. and John Averyt are jointly and severally liable and shall pay to Claimants the sum of \$20,000.00, plus interest at the legal rate from May 8, 1997 to date of payment of the award;
2. Respondents Marsh Block & Co. and John Averyt are jointly and severally liable and shall pay to Claimants the sum of \$15,000.00 in punitive damages;
3. Each party shall bear their respective costs, including attorney's fees; and,
4. All other requests for relief are denied.

FORUM FEES

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

Pre-Hearing Conference Fees:	\$ 300.00	(1 Session x \$300)
Hearing Session Fees:	\$1500.00	(3 Sessions x \$500)
 Total Forum Fees:	 \$1800.00	

1. Respondents, Marsh Block & Co. and John Averyt, are jointly and severally assessed the sum of \$900.00 representing one-half of the Forum Fees assessed. Respondents, Marsh Block & Co. and John Averyt, are jointly and severally liable and shall pay to NASD Regulation, Inc. the sum of \$900.00.
2. Claimants are jointly and severally assessed the sum of \$900.00 representing one-half of the Forum Fees assessed, less \$500.00 previously deposit, leaving \$400.00 due. Claimants are jointly and severally liable and shall pay to NASD Regulation, Inc. the sum of \$400.00.

Fees are payable to NASD Regulation, Inc.

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ARBITRATORS' SIGNATURES

Arne Hovdesven
Arne Hovdesven, Esq.

Edward T. Curry, Jr.

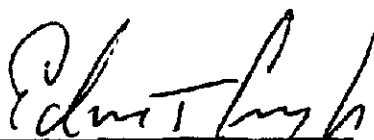
Thomas E. Vass

Date of Decision: August 13, 1997

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ARBITRATORS' SIGNATURES

Arne Hovdesven, Esq.

A handwritten signature in cursive script, appearing to read "Edward T. Curry, Jr.", written over a horizontal line.

Edward T. Curry, Jr.

Thomas E. Vass

Date of Decision: August 13, 1997