

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimants

Russell W. and Helen L. Stupp

96-03261

Name of Respondents

State Capital Markets Corporation
Joseph Anthony Monaco

REPRESENTATION

Claimants Russell W. and Helen L. Stupp ("Claimants") were represented by J. Phillip Kirchner, Esq. and Andrew Babiak, Esq., Flaster, Greenberg, Wallenstein, Roderick, Spigel, Zuckerman, Skinner & Kirchner, Cherry Hill, NJ.

Respondent Joseph Anthony Monaco ("Monaco") did not appear.

Respondent State Capital Markets Corporation ("SCMC" formerly known as State Street Capital Markets, Corp. and also formerly known as White Rock Partners & Co., Inc.) did not appear.

CASE INFORMATION

The Statement of Claim was filed July 30, 1996.

Claimants' Submission Agreement was signed on July 24, 1996.

Neither Monaco nor SCMC (collectively "Respondents") filed a Statement of Answer. Respondents failed to submit an executed agreement to arbitrate.

HEARING INFORMATION

Hearing Date/Sessions: May 20, 1997/one session

Hearing Location: Holiday Inn Downtown
Philadelphia, PA

CASE SUMMARY

Claimants alleged that they are unsophisticated, octogenarian investors who were solicited by Monaco to purchase warrants to purchase Holly Products, Inc. common stock, and to purchase common stock in Holly Products, Inc. among other securities. Claimants alleged that Monaco solicited Claimants by telephone to purchase these securities in March 1995. Claimants alleged that at the time of the telephone solicitation, Monaco was employed by SCMC, then known as White Rock Partners & Co., Inc. as a registered broker. Claimants alleged that Monaco told Claimants that he wanted to "earn" Claimants'

business, and represented that if Claimants suffered a loss as a result of any investment recommended by Monaco, Monaco would refund all of his money within one week out of his own funds or out of SCMC funds.

Claimants further alleged that on March 15, 1995, Claimants opened an account with White Rock Partners & Co., Inc., now SCMC. Claimants alleged that on March 27, 1995 Respondents induced Claimants to authorize the purchase of 10,000 warrants for Holly Products common stock for a total cost of \$38,762.50. Claimants alleged that Respondents persuaded Claimants to authorize the purchase of 5,000 shares of Holly Products common stock at a total cost of \$36,262.50 and on June 28, 1995 another 200 shares for a total cost of \$1,062.50.

Claimants alleged that Respondents failed to investigate the suitability of investments in Holly Products warrants or common stock for Claimants or the level of Claimants' investment sophistication. Claimants asserted that Respondents failed to inquire as to Claimants' investment goals, retirement plans, risk tolerance or net worth. Claimants alleged that Respondents failed to inform Claimants how warrants function and that warrants did not represent an equity interest or an ownership interest in a company. Claimants alleged that Holly Products was not suitable for Claimants because Holly Products was a small, undercapitalized company that never made a profit and was far too speculative. Claimants alleged that they did not know that Monaco's representations that he would repay any losses suffered by Claimants was intended to fraudulently induce Claimants to authorize the purchases in violation of state and federal securities laws and the NASD Rules of Fair Practice. In addition, Claimants alleged that SCMC failed to adequately supervise Monaco.

Respondents did not file a Response to the allegations asserted in the Statement of Claim.

RELIEF REQUESTED

Claimants requested damages of \$74,133.58; punitive damages of \$60,000.00 and requested that the costs of the arbitration be assessed to Respondents.

Respondents did not file a request for relief.

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.

Pursuant to Rule 10313 of the Code, the parties present at the hearing elected to go forward with two arbitrators when the third arbitrator indicated that he was unable to perform as an arbitrator at the hearing.

The panel determined that Respondents Monaco and SCMC had received notice of the hearing pursuant to Rule 10315 of the Code of Arbitration Procedure ("Code"). In addition, the panel determined that Respondents Monaco and SCMC did not file with the NASD Regulation properly executed submissions to arbitrate but are required to submit to arbitration pursuant to Rule 10301 of the Code. Therefore Respondents Monaco and SCMC are bound by the rulings and determinations of the panel.

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 Joseph Anthony Monaco and State Capital Markets Corporation are jointly and severally liable to and shall pay to Claimants \$68,721.50.
2. That the claim for punitive damages is denied.
3. That Respondents Joseph Anthony Monaco and State Capital Markets Corporation are jointly and severally liable to and shall reimburse Claimants \$650.00 for the filing fee and hearing session deposit previously submitted to the NASD Regulation.
4. That any and all relief not specifically addressed herein are denied.

FORUM FEES

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

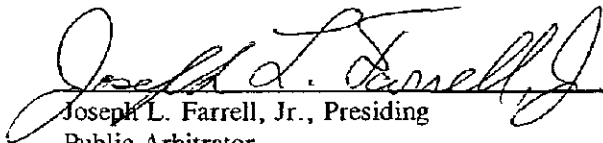
1 session x \$500.00 = \$500.00

Forum Fees are assessed against Respondents, jointly and severally. Respondents are to receive credit for the \$500.00 hearing session deposit Claimants submitted to the NASD Regulation due to the order of the panel that Respondents must reimburse Claimants for the deposit, Respondents have no further assessment due.

DATE

CONCURRING ARBITRATORS' SIGNATURES

6/16/97



Joseph L. Farrell, Jr., Presiding
Public Arbitrator

Eugene Arnold, Jr.
Industry Arbitrator

Date Decision Served by NASD Regulation:

June 26, 1997

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:

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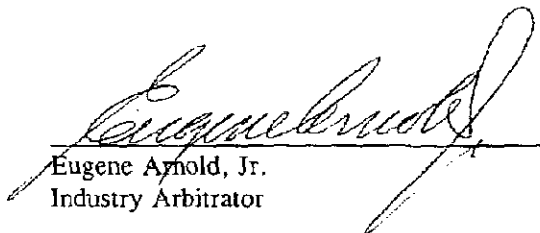
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CONCURRING ARBITRATORS' SIGNATURES

Joseph L. Farrell, Jr., Presiding
Public Arbitrator

6/18/97



Eugene Arnold, Jr.
Industry Arbitrator

Date Decision Served by NASD Regulation: June 26, 1997