

NASD REGULATION, INC.
AWARD

In the Matter of the Arbitration Between

Name of Claimant

Paul R. Trueblood

vs.

Case No.
96-04147

Name of Respondents

Joseph Teseo
Daniel R. Porush
Stratton Oakmont, Inc.

REPRESENTATION

For Claimant Paul R. Trueblood ("Claimant") appeared Ralph A. Gant, Esq., of the firm Morris & McVeigh, LLP located in New York, New York.

For Respondents Daniel M. Porush ("Porush"), Stratton Oakmont, Inc. ("Stratton"), Joseph Teseo ("Teseo") (collectively "Respondents") appeared Mark E. Gelfand, Esq. of Wexler & Burkhart, P.C., located in Mitchell Field, New York.

CASE INFORMATION

Claimant's Statement of Claim was filed on September 16, 1996.
Claimant's Submission Agreement was signed on August 26, 1996.

Respondent's Joint Statement of Answer was filed on November 11, 1996
Respondents Stratton and Porush's Submission Agreements were signed on October 15, 1996.
Respondent Teseo's Submission Agreement was signed on October 11, 1996.

HEARING INFORMATION

Pre-Hearing Conference: May 18, 1998 - 1 session (Full panel)
Hearing Dates/Sessions: October 1, 1998 - 2 sessions (Full panel)
The hearings were conducted at the offices of NASD Regulation, Inc. located in New York, New York.

CASE SUMMARY

Claimant states that he is a musician and composer, and in December 1994, his net worth was approximately \$600,000.00. Claimant contends that he had little investment experience. Claimant further states that he was "cold called" by Jeff Beacher, an account executive at Stratton, on December 12, 1994. Claimant asserts that he was induced to open an account with Stratton, and agreed to invest in Dr. Pepper-7-Up stock. Claimant avers that he was assured that this was a conservative investment. Claimant states that he did not receive any documentation setting forth the terms of the arrangement between Claimant and Stratton at the time his account was opened.

Claimant maintains that he was telephoned approximately six weeks later, this time by Teseo, and was once again induced to purchase additional securities. Claimant states that he was unfamiliar with these securities, namely Select Media Communication, and later, Dual Star Technologies Corp. Claimant alleges that Teseo made material misrepresentations and omissions of material facts in the offer and sale of these, and other securities, to Claimant. Claimant further alleges that, by April 6, 1995, more than half of Claimant's net worth was invested, without Claimant being made aware of the risks to which his capital was exposed.

Claimant asserts that he continued to purchase additional securities upon Teseo's recommendations. Claimant further asserts that when he sought Teseo's advice as to why the securities had taken a precipitous fall, Teseo advised Claimant to be patient. Claimant avers that Teseo misled him by making false claims and baseless predictions in an effort to discourage Claimant from selling his positions. Thereafter, Claimant avers that Teseo failed to call or return Claimant's calls, nor did Stratton send Claimant account statements for July or August, 1995. Claimant states that when he finally wrote a letter on September 18, 1995, he did receive an account statement as well as a customer agreement in order to complete his account file with Stratton.

Respondents state that Claimant had, or should have had, full knowledge of all material facts concerning his securities account. Therefore, Respondents aver that Claimant should be estopped from bringing arbitration or seeking recovery. Respondents maintain that Claimant's claims are barred by waiver and ratification since Claimant authorized, executed, and ratified all transactions in his securities accounts.

Respondents assert that Claimant failed to act in a timely and appropriate fashion. As a result of this untimeliness, Respondents maintain that they are not liable for the alleged damages since Claimant waived the claims set forth in the Statement of Claim. Respondents further assert that they acted reasonably and in good faith. Respondents deny any misrepresentations made to Claimant with respect to the risks involved and the fundamental nature of emerging growth companies in which Claimant invested.

Respondent maintains that an award of punitive damages and an award for attorneys' fees cannot be granted by the Panel since New York law, which controls the rights and liabilities of the parties to arbitration, forbids such awards.

RELIEF REQUESTED

Claimant requests \$368,463.90, plus interest, punitive damages of not less than \$50,000.00, together with costs, disbursements, attorneys' fees, and such other further relief as the panel deems just and proper.

Respondents requests that the Statement of Claims be dismissed, in addition to an award of attorney's fees, costs and other relief as the panel deems just, proper, and equitable.

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 original remains on file with the NASD.

All proceedings against Respondent Stratton Oakmont, Inc. were stayed pursuant to a bankruptcy filing.

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. Respondents are jointly and severally liable and shall pay Claimant a total of \$412,391.25 in compensatory damages;
2. Respondents are also jointly and severally liable and shall pay Claimant pre-judgment interest at a rate of nine percent (9%) from September 16, 1996 until date of payment;
3. Claimant is awarded \$100,000.00 in punitive damages under the authority of *Mastrobuono v. Shearson Lehman Bros.*, 514 U.S. 52 (1995).
4. Respondents shall pay Claimant the sum of \$950.00 to reimburse Claimant for the Filing Fee and Hearing Session Deposit previously paid to NASD Regulation, Inc.

FORUM FEES

Pursuant to Rule 10333 of the *Code*, the arbitrators have determined that the NASD will retain the \$200.00 Filing Fee and \$750.00 Hearing Session Deposit previously deposited by Claimant and have assessed the following Forum Fees:

1 Pre-Hearing Conference at \$750.00 per conference	-	\$ 750.00
2 Hearing Sessions at \$750.00 per session	-	\$1500.00
Total Fees	-	\$2250.00

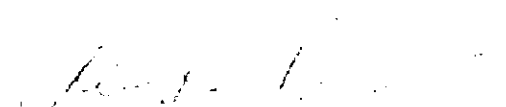
1. Respondents be and hereby are jointly and severally liable for and shall pay the sum of \$2,250.00 representing the total forum fees assessed; and
2. Respondents shall reimburse Claimant the sum of \$950.00 as provided in the "Award" section above.

Fees are payable to NASD Regulation, Inc.

ARBITRATION PANEL

Alan R. Sloate, Esq.	-	Public Chairperson
Madelon M. Rosenfeld, Esq.	-	Public Panelist
William J. Crowe, Jr., Esq.	-	Industry Panelist

CONCURRING ARBITRATOR'S SIGNATURE



Alan R. Sloate, Esq.

Date of decision: December 22, 1998

I, **Alan R. Sloate, Esq.**, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Alan R. Sloate

ARBITRATION PANEL

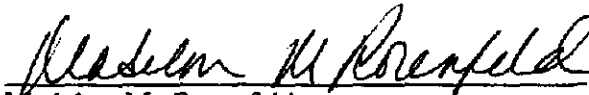
Alan R. Sloate, Esq.	-	Public Chairperson
Madelon M. Rosenfeld, Esq.	-	Public Panelist
William J. Crowe, Jr., Esq.	-	Industry Panelist

CONCURRING ARBITRATOR'S SIGNATURE


Madelon M. Rosenfeld, Esq.

Date of decision: December 22, 1998

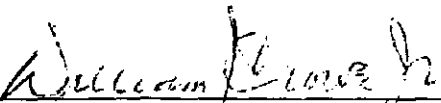
I, **Madelon M. Rosenfeld, Esq.**, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.


Madelon M. Rosenfeld

ARBITRATION PANEL

Alan R. Sloate, Esq.	-	Public Chairperson
Madelon M. Rosenfeld, Esq.	-	Public Panelist
William J. Crowe, Jr., Esq.	-	Industry Panelist

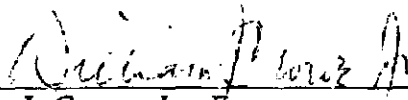
CONCURRING ARBITRATOR'S SIGNATURE



William J. Crowe, Jr., Esq.

Date of decision: December 22, 1998

I, William J. Crowe, Jr., Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



William J. Crowe, Jr., Esq.