

AWARD
NASD Regulation, Inc.

In the Matter of Arbitration Between

Charles Schwab & Company, Inc.
Claimant,

and

No. 98-00259

Lawrence L. Mathers dba
Webster Press
Respondent.

REPRESENTATION OF PARTIES

Claimant, Charles Schwab & Company, Inc., ("Claimant"), was represented by Richard A. Karoly in house attorney at Charles Schwab located in San Francisco, CA.

Respondent, Lawrence L. Mathers dba Webster Press, ("Respondent"), were represented by Michael A. Hooper, Esquire Attorney at Law located in Dallas, TX.

CASE INFORMATION

Claimant's, Statement of Claim was filed on or about January 22, 1998 Claimant's Submission Agreement was signed on February 13, 1998 by Linda Drucker its Vice President and Associate General Counsel.

Respondent's Statement of Answer was filed on or about April 8, 1998. Respondent's Submission Agreement was signed on April 3, 1998.

HEARING INFORMATION

A pre-hearing was held on September 17, 1998 for one (1) session with the full panel of arbitrators. The hearing was held on December 10, 1998 for one (1) session in Dallas, Texas with the full panel of arbitrators.

CASE SUMMARY

Claimant Charles Schwab alleged that Respondent Mathers deposited share certificates representing 368,371 shares of Chandeleur Bay Production Company, Ltd. ("Chandeleur Bay") into Schwab account between November 5, 1996 and February 5, 1997. These shares were ordered sold by Respondent Mathers, and he realized \$168,819.98 in

connection with their sale. \$116,000.00 in sales proceeds were withdrawn from the account in three transactions.

Schwab deposited the certificates with a transfer agent so that re-registration of these shares could be effected to reflect street name, for Schwab's eventual deposit to its account. However, the transfer agent refused to re-register these certificates because of an existing court order purporting to preclude transfer of these shares. As a result, Schwab was obligated to purchase replacement shares on the open market, and expended \$118,837.98 in this regard.

Despite Schwab's demand, Respondent Mathers has refused to satisfy the debit sustained by Schwab as the direct result of his sale of securities that he knew, as a director of Chandeaur Bay, to be restricted. Schwab seeks to recover its losses in this action. Respondent Schwab brought causes of action including breach of contract, for money paid, account stated, and for book account.

Respondent Lawrence L. Mathers denied any wrongdoing as alleged in the Claimant's Statement of Claim. Respondent alleged that he was Chairman of the Board of Chandeaur Bay from July 5, 1993 until March 1, 1995. In connection with his role as Chairman, he acquired 118,371 shares of stock as payment for his services. After Respondent resigned, on November 5, 1996, Respondent deposited all 118,371 shares of his stock in Chandeaur Bay into his account with Claimant Charles Schwab.

During January of 1997, Respondent was allegedly contacted by Wilbert S. Lynch who sought his assistance in the sale of certain Chandeaur Bay stock he had acquired. Respondent ultimately acquired Lynch's 250,000 shares in late January of 1997. Shortly thereafter he deposited the 250,000 shares of stock into his account, for a total of 368,371 shares of Chandeaur in his Respondent's Schwab account.

On April 4, 1997 ordered all his Chandeaur Bay shares sold. Respondent did not hear from Claimant regarding the sale until over one half a year from the first sale. Respondent denies that he failed to make good delivery of the stock. He alleges that he had no connection with Chandeaur after March of 1995 when he resigned. Therefore, Respondent alleges that he did not know nor should he have known that the stock was restricted by judgment. Respondents further alleged that any losses were caused by Claimant's own incompetence and negligence.

RELIEF REQUESTED

Claimant Charles Schwab & Co., Inc. requested an award for damages in the sum of \$118,837.98 and interest thereon from May 7, 1997, costs, and for such other further relief as the arbitration panel may deem just and appropriate.

Respondents requested that the claims asserted against them be held in abeyance until the subject judgment can be revised, that Claimant be found negligent, that they be awarded

their costs and attorney fees, and that Respondent be awarded such other and further relief as he may show himself entitled.

OTHER ISSUES CONSIDERED AND 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(s) remain on file with the NASD Regulation, Inc. Office of Dispute Resolution.

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 the Respondent Lawrence L. Mathers dba Webster Press is liable for and shall pay Respondent Charles Schwab & Co., Inc. compensatory damages in the sum of \$118,837.98 (one hundred eighteen thousand eight hundred thirty seven hundred dollars and ninety eight cents) and interest thereon from November 1, 1997 until paid at 8.75%; and
2. That other than forum fees, which are addressed below, all other claims and requests for relief not specifically awarded here are, and each of them, hereby denied with prejudice.

FORUM FEES

Forum fees are calculated at the rate of \$750.00 per full panel hearing session and \$300.00 for each single arbitrator pre-hearing conference, if any. There were two (2) hearing sessions x \$750.00.00 = \$1,500.00 in forum fees. Pursuant to Rule 10332(b) of the NASD Code of Arbitration Procedure (the "Code,") a hearing session is any meeting between the parties and the Arbitrator(s), including a pre-hearing conference with an Arbitrator, which lasts four (4) hours or less.

Pursuant to Rule 10332(c) of the Code, Claimant, has paid to the NASD Regulation, Inc., Office of Dispute Resolution, the non-refundable filing fee of \$500.00 and has also paid the hearing session deposit of \$750.00. Respondent, Lawrence L. Mathers dba Webster Press is liable for the forum fees in this matter and shall pay the sum of \$750.00 to NASD Regulation, Inc., Office of Dispute Resolution. Respondent Lawrence L. Mathers dba Webster Press is liable for and shall reimburse Respondent Charles Schwab & Co., Inc. for its hearing session deposit in the amount of \$750.00.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

OTHER FEES

Pursuant to Rule 10333 of the Code, Respondent, Charles Schwab & Co. Inc. has paid to the NASD Regulation, Inc., Office of Dispute Resolution, the \$1,500.00 member surcharge previously invoiced.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures:

Daniel A. Kile
Chairperson
Public Arbitrator

Date

Charles E. Martin
Charles E. Martin
Panelist
Public Arbitrator

2-6-99
Date

Jonathan A. Pace
Panelist
Industry Arbitrator

Date


Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

OTHER FEES


Pursuant to Rule 10333 of the Code, Respondent, Charles Schwab & Co. Inc. has paid to the NASD Regulation, Inc., Office of Dispute Resolution, the \$1,500.00 member surcharge previously invoiced.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures:



Daniel A. Kile
Chairperson
Public Arbitrator



Date

Charles E. Martin
Panelist
Public Arbitrator

Date

Jonathan A. Pace
Panelist
Industry Arbitrator

Date

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

OTHER FEES

Pursuant to Rule 10333 of the Code, Respondent, Charles Schwab & Co. Inc. has paid to the NASD Regulation, Inc., Office of Dispute Resolution, the \$1,500.00 member surcharge previously invoiced.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

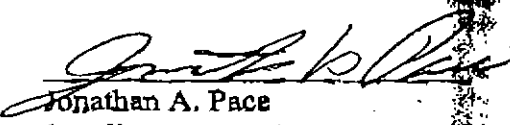
Concurring Arbitrators' Signatures:

Daniel A. Kile
Chairperson
Public Arbitrator

Date

Charles E. Martin
Panelist
Public Arbitrator

Date


Jonathan A. Pace
Panelist
Industry Arbitrator

Date

Feb. 3, 1999