

Award
NASD Regulation, Inc.

In the Matter of the Arbitration Between

Name of Claimants

Lisa M. DeFalco
TPG Telemanagement, Inc.

NASD Case No. 99-00408
Hearing Location: Philadelphia, PA

Name of Respondents

Charles Schwab & Company, Inc.
Richard Hepp
Robert Lancaster
Scott C. Jensen

REPRESENTATION OF PARTIES

Claimants Lisa M. DeFalco and TPG Telemanagement, Inc. ("Claimants"): James F.X. Rudey, Esq., Fox, Rothchild, O'Brien & Frankel LLP, Lawrenceville, New Jersey.

Respondents Charles Schwab & Company, Inc., Richard Hepp, Robert Lancaster and Scott C. Jensen ("Respondents"): Kelly J. Moynihan, Esq., Keesal, Young & Logan, San Francisco, California.

CASE INFORMATION

Statement of Claim filed on or about: February 16, 1999
Claimants signed the Uniform Submission Agreement: February 9, 1999
Statement of Answer filed by Respondents on or about: April 16, 1999
Respondent Richard Hepp signed the Uniform Submission Agreement: October 26, 1999
Respondent Robert Lancaster signed the Uniform Submission Agreement: October 26, 1999
Respondent Scott C. Jensen did not sign a Uniform Submission Agreement.
Respondent Charles Schwab & Company, Inc. ("Schwab") did not sign a Uniform Submission Agreement.

CASE SUMMARY

Claimants asserted the following causes of action: misrepresentation; suitability; churning; breach of fiduciary duty; failure to exercise due diligence; failure to supervise; fraud; negligence; and violations of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, Section 2 of the Securities Act of 1933, Article III, Section 2 of the Rules of Fair Practice of the NASD, and Rules 405(1) and (2) of the New York Stock Exchange.

Unless specifically admitted in its Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Respondent Schwab is a discount brokerage which did

not and does not give investment recommendations; that so far as Respondent Schwab knew, there were no irregularities in the opening or handling of the accounts referenced in the Statement of Claim; Respondent Schwab was entitled to rely on the instructions of Mr. Kaminski, an officer of Claimant TPG Telemanagement ("TPG"), regarding the TPG account; all of the options transactions were properly approved; the NASD suitability rule has no application to this case; Claimant DeFalco's claim regarding the signature stamp is unpersuasive; the claim that Respondent Schwab allowed Mr. Kaminski to continue "high volume option trading" in the TPG account is without merit; Claimants ratified the handling of their Schwab accounts; Claimants' claims are barred by the agreements they signed; Claimants' claims are barred by their own negligence and failure to exercise due diligence; failure to state a claim upon which relief can be granted; Respondents are not responsible for Claimants' own wrongful or negligent acts or omissions; Claimants' failed to use reasonable means to mitigate damages; Claimants were guilty of contributory negligence and should be precluded from recovery; Claimants are barred on the equitable ground of laches; Claimants may not recover punitive damages; and Claimants' claim for punitive damages violates the Due Process Clause and Equal Protection Clause of the Fourteenth Amendment to the United States Constitution.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$545,402.59
Compensatory Damages for lost dividend and interest income	
	For an amount to be determined by the Panel.
Punitive Damages	For an amount to be determined by the Panel.
Attorneys' Fees	For an amount to be determined by the Panel.
Costs	For an amount to be determined by the Panel.
Other Relief:	Disciplinary referral against Respondents.

Respondents requested dismissal of the Statement of Claim and an order expunging the claim from the Central Registration Depository records of Richard Hepp, Robert Lancaster and Scott Jensen.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Jensen and Schwab did not file with the NASD Regulation, Inc. Office of Dispute Resolution properly executed submissions to arbitration, but are required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure ("Code"). Furthermore, having answered the claim, appeared and testified at the hearing, Respondents Jensen and Schwab are bound by the determination of the Panel on all issues submitted.

The parties agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

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

1. That Respondent Schwab is liable and shall pay Claimants \$164,038.00;
2. That Claimants' claim for punitive damages is denied in its entirety;
3. That the parties are to bear their own costs and expenses, including attorney's fees, with the exception of the fees as specified below; and
4. That any and all relief not specifically addressed herein is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Regulation, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 250.00
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Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firm is a party.

Member surcharge	= \$ 2,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 3,500.00

Forum Fees and Assessments

The Panel assessed forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the Arbitrators, including a pre-hearing conference with the Arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

1	Pre-hearing session with Panel x \$ 1,000.00	= \$ 1,000.00
	Pre-hearing conference: September 14, 1999 One session	
8	Hearing sessions x \$ 1,000.00	= \$ 8,000.00
	Hearing Dates: January 11, 2000 Two sessions	
	January 12, 2000 Two sessions	
	January 13, 2000 Two sessions	
	January 14, 2000 Two sessions	
TOTAL FORUM FEES		= \$ 9,000.00

1. The Panel assessed \$4,500.00 of the forum fees to Claimants jointly and severally.
2. The Panel assessed \$4,500.00 of the forum fees to Respondent Schwab.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$ 250.00
<u>Forum Fees</u>	= \$ 4,500.00
Total Fees	= \$ 4,750.00
<u>Less payments</u>	= \$ 1,250.00
Balance Due NASD Regulation, Inc.	= \$ 3,500.00

Respondent Schwab is solely liable for:

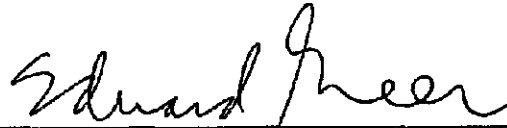
Member Fees	= \$ 6,100.00
<u>Forum Fees</u>	= \$ 4,500.00
Total Fees	= \$ 10,600.00
<u>Less payments</u>	= \$ 6,100.00
Balance Due NASD Regulation, Inc.	= \$ 4,500.00

All balances are due and payable to NASD Regulation, Inc.

DATE AWARD SIGNED:

3/9/00

Concurring Arbitrators' Signatures



Edward Greer, Esq. - Chairperson
Public Arbitrator

Carole D. Green, Esq. - Panelist
Public Arbitrator

Charles W. Lake - Panelist
Industry Arbitrator

Date Award served by NASD Regulation: March 14, 2000

DATE AWARD SIGNED:

Concurring Arbitrators' Signatures

Edward Greer, Esq. - Chairperson
Public Arbitrator

March 9, 2000

Carole D. Green
Carole D. Green, Esq. - Panelist
Public Arbitrator

Charles W. Lake - Panelist
Industry Arbitrator

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Edward Greer, Esq. - Chairperson
Public Arbitrator

Carole D. Green, Esq. - Panelist
Public Arbitrator

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Charles W. Lake
Charles W. Lake - Panelist
Industry Arbitrator

Date Award served by NASD Regulation: March 14, 2000