

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between

Name of Claimant

Charles Products, Inc.

vs.

Case No. 99-04254

Name of Respondents

First Madison Securities, Inc.
Steven Rasco
Ray Vahab

REPRESENTATION OF PARTIES

Claimant, Charles Products, Inc., hereinafter referred to as "Claimant": Arthur M. Schwartzstein, Esq. McLean, Virginia

Respondents, First Madison Securities, Inc. ("First Madison"), Steven Rasco ("Rasco"), and Ray Vahab ("Vahab"), hereinafter collectively referred to as "Respondents": Albert A. Rapoport, Esq., Boca Raton, Florida

CASE INFORMATION

Statement of Claim filed on or about: September 17, 1999

Claimant signed the Uniform Submission Agreement: September 15, 1999

Statement of Answer filed by Respondents on or about: December 6, 1999

Amended Statement of Answer filed by Respondents on or about: September 26, 2000

First Madison submitted signed Uniform Submission Agreement.

Vahab signed the Uniform Submission Agreement: December 12, 1999

Respondent Rasco did not submit an executed agreement to arbitrate.

CASE SUMMARY

Claimant alleged that Respondents misrepresented their expertise and abilities to manage Claimant's portfolio, and engaged in trading without authorization. Claimant asserted that Respondents did not engage in any recognizable day trading strategy, and their trading did not evidence any strategic planning or intelligent investment decisions. Claimant further asserted that Respondents did not properly manage Claimant's assets, nor did they follow Claimant's investment goals to preserve capital and generate superior returns. Claimant contended that Respondents' actions were for the purpose of generating commissions for themselves.

Unless specifically admitted in its Answer, Respondents denied the allegations made in the Statement of Claim and asserted that Claimant authorized a discretionary account, with trading solely at the Respondents' determination. Respondents maintained that Claimant's discretionary account was established for the purpose of "Intraday and Short Term" trading, with the understanding between Claimant and Respondents that trades would be made for the purpose of taking advantage of market volatility.

RELIEF REQUESTED

Claimant requested:

Compensatory Damages	\$111,624
Punitive Damages	\$335,000
Interest	\$3,700
Attorneys' Fees	Amount Not Specified
Other Costs	Amount Not Specified

Respondents requested denial of Claimant's claims, and that all costs and expenses, including attorney's fees, be assessed to Claimant.

OTHER ISSUES CONSIDERED AND DECIDED

Respondent Rasco did not file with the NASD Dispute Resolution, Inc. a properly executed submission to arbitration, but is required to submit to arbitration pursuant to the Code and is bound by the determination of the Panel on all issues submitted.

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.

The Panel considered Claimant's Motion for Award on the Pleadings and Respondents' Motion for Summary Judgment, and all responses thereto, and denied both Motions.

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 Respondents First Madison, Rasco and Vahab are jointly and severally liable to and shall pay to Claimant \$69,762.34 in compensatory damages, plus \$8,622.63 in interest through the date of the hearing; and
2. That Respondents First Madison, Rasco and Vahab are jointly and severally liable to and shall pay to Claimant \$69,762.34 in punitive damages for egregious conduct including, among others, misrepresentations, a failure to supervise, breach of fiduciary duty and unauthorized trading; and

3. That each party is to pay their own costs and expenses, including attorney's fees, with the exception of forum 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 Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$300
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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(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm is a party.

Member surcharge	= \$1,500
Pre-hearing process fee	= \$600
Hearing process fee	= \$2,500

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), 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 \$1,125	= \$1,125
Pre-hearing conference: August 17, 2000 1 session	
2 Hearing sessions x \$1,125	= <u>\$2,250</u>
Hearing Date: September 26, 2000 2 sessions	
Total Forum Fees	= \$3,375

The Panel assessed \$3,375 of the forum fees, jointly and severally, to Respondents.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$300
Total Fees	= \$300
Less payments	= <u>\$1,425</u>
Refund Due Claimant	= \$1,125

Respondent, First Madison, is solely liable for:

Member Fees	= \$4,600
Total Fees	= \$4,600
Less payments	= <u>\$1,500</u>
Balance Due NASD Dispute Resolution, Inc.	= \$3,100

Respondents, First Madison, Rasco and Vahab, are jointly and severally liable for:

Forum Fees	= \$3,375
Balance Due NASD Dispute Resolution, Inc.	= \$3,375

All balances are due and payable to NASD Dispute Resolution, Inc.

CONCURRING ARBITRATORS' SIGNATURES



G. Rick O'Shea, Esq.
Public Arbitrator, Presiding Chairman

10-18-00

Date Signed

Irving L. Becker, Esq.
Public Arbitrator

Date Signed

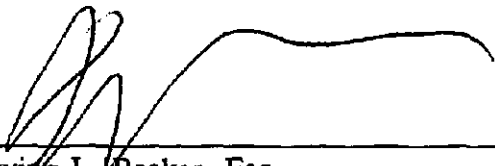
Lawrence P. Sandor, Esq.
Industry Arbitrator

Date Signed

October 20, 2000
Date of Service (For NASD-DR office use only)

CONCURRING ARBITRATORS' SIGNATURES

G. Rick O'Shea, Esq.
Public Arbitrator, Presiding Chairman



Irving L. Becker, Esq.
Public Arbitrator

Date Signed

10/2/2000

Date Signed

Lawrence P. Sandor, Esq.
Industry Arbitrator

Date Signed

October 20, 2000

Date of Service (For NASD-DR office use only)

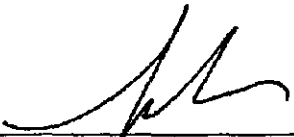
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