

**AWARD**  
**NASD Dispute Resolution, Inc.**

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In the Matter of the Arbitration Between

Name of Claimant

Keith A. Denison

and

99-05254  
Scottsdale, Arizona

Name of Respondents

Prudential Securities, Inc.  
Rhonda Lynn Rommel  
Joseph John Clancy

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**REPRESENTATION OF PARTIES**

Keith A. Denison ("**Claimant**") was represented by Paul J. Roshka, Jr., Esq. and Alan S. Baskin, Esq., Roshka Heyman & DeWulf, PLC, Phoenix, Arizona.

Prudential Securities, Inc. ("**Respondent Prudential**"), Rhonda Lynn Rommel ("**Respondent Rommel**") and Joseph John Clancy ("**Respondent Clancy**") were represented by Martin Hunger, Esq., Prudential Securities, Inc., New York, New York.

**CASE INFORMATION**

The Statement of Claim was filed on or about November 22, 1999. Submission Agreement of Claimant Keith A. Denison was signed on October 20, 1999.

Respondents Prudential Securities, Inc., Rhonda Lynn Rommel and Joseph John Clancy filed Response to Statement of Claim on or about February 22, 2000. Martin Hunger signed Submission Agreement of Respondent Prudential Securities, Inc. on January 31, 2000. Submission Agreement of Respondent Rhonda Lynn Rommel was signed on January 25, 2000. Submission Agreement of Respondent Joseph John Clancy was signed on January 25, 2000.

**CASE SUMMARY**

Claimant alleged that Respondents: violated the Arizona Securities Act; was negligent in the handling of Claimant's account; engaged in intentional fraud and fraud by non-disclosure; engaged in negligent misrepresentation; breached their fiduciary duty; and engaged in violations of NASD, NYSE and CBOE rules. It was also alleged that Respondent Prudential negligently supervised the individual Respondents. Claimant specifically alleged that he is an unsophisticated investor with

virtually no investment experience. It was also alleged that Respondent Rommel made material misrepresentations or omissions of material facts concerning the risks associated with options trading.

Respondents denied the allegations set forth in the Statement of Claim. Respondents specifically stated:

During one of the Rommel and Denison discussions, Claimant related that he had just discovered that due to his exercising 4800 shares of his Intel employee stock options he owed approximately \$125,000 in taxes. Together with his accountant, Denison explored possible alternatives in dealing with the tax liability on the employee stock options exercised. Two of the alternatives considered were borrowing against Claimant's Intel position or selling some Intel stock.

Denison opted for borrowing against his position and wanted assurances from PSI that the firm's margin loan interest rate would not exceed the rate at Olde. Although Denison was very concerned about repaying the loan, her[sic] was not willing for tax purposes to sell any of his Intel until the following year. Denison and Rommel discussed the strategy of covered call writing. Denison was familiar with this technique as some of his co-workers did write covered calls on their stock.

#### **RELIEF REQUESTED**

Claimant requested an award as follows:

- Damages against Respondents in an amount to be proven at the hearing, but in any event no less than \$250,000;
- Consequential damages against all Respondents according to proof to be adduced at the hearing of this matter;
- Pre-judgment interest against all Respondents;
- Costs of this arbitration against all Respondents;
- Reasonable attorneys' fees against all Respondents;
- Punitive damages against all Respondents in an amount according to proof to be adduced at the hearing of this matter; and
- Such other and further relief as the arbitration panel may deem just and equitable.

Respondents requested that Claimant take nothing by way of the Statement of Claim, costs of suit incurred herein, and for such other and further relief as the Panel may deem just and proper.

**OTHER ISSUES CONSIDERED & DECIDED**

In the Statement of Claim, Claimant alleged as follows:

Upon information and belief, at all relevant times, Ms. Rommel and Mr. Clancy were acting for their own individual interest and benefit, as well as for the interest and benefit of their marital communities with John Doe Rommel and Jane Doe Clancy. These Respondents' spouses are included in this Statement of Claim because Arizona is a community property state.

Respondent Prudential requested the dismissal of John Doe Rommel and Jane Doe Clancy. After considering the pleadings, and the arguments presented on behalf of the parties, the Motion was granted.

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 Dispute Resolution, Inc. (the "NASD").

**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 Prudential Securities, Inc. and Rhonda Lynn Rommel shall be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$75,000 (**Seventy Five Thousand Dollars**) as compensatory damages. The sum stated above includes an award of interest.
2. With respect to the claims brought against Respondent Joseph John Clancy, the panel found in favor of Mr. Clancy and that the claims against him had no merit.
3. Based upon the erroneous and defamatory nature of the information in the Central Registration Depository ("CRD") system, The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Joseph John Clancy's registration records maintained by the NASD CRD, with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent Joseph John Clancy's must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

4. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
5. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees.

### **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 = \$300.00

#### **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 Prudential Securities, Inc.

Member surcharge = \$1,500.00  
Pre-hearing process fee = \$ 600.00  
Hearing process fee = \$2,500.00

#### **Forum Fees and Assessments**

The Arbitration 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 arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

Two (2) Pre-hearing session(s) with Panel x \$1,125.00 = \$2,250.00

Pre-hearing conference(s):    June 21, 2000            1 session  
   January 10, 2001            1 session

Six (6) Hearing sessions x \$1,125.00 = \$6,750.00

Hearing Date(s):            August 14, 2001            2 sessions  
   August 15, 2001            2 sessions  
   August 16, 2001            2 sessions

Total Forum Fees = \$9,000.00

The Arbitration Panel has assessed \$9,000.00 of the forum fees to Prudential Securities, Inc.

**Fee Summary**

Claimant, Keith A. Denison, shall be and hereby is liable for:

Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	= \$ 0.00
Total Fees	= \$ 300.00
<u>Less payments</u>	= \$1,425.00
Balance to be refunded by NASD Dispute Resolution, Inc.	= \$1,125.00

Respondent, Prudential Securities, Inc., shall be and hereby is liable for:

Member Fees	= \$ 4,600.00
<u>Forum Fees</u>	= \$ 9,000.00
Total Fees	= \$13,600.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 9,000.00

**All balances are due to NASD Dispute Resolution, Inc.**

**ARBITRATION PANEL**

David C. Hinshaw, Esq. - Public, Presiding Chair  
Daniel J. Danvir - Public Arbitrator  
Dan B. Williams - Non-Public Arbitrator

Concurring Arbitrators:

/s/ David C. Hinshaw  
David C. Hinshaw, Esq.  
Public Arbitrator, Presiding Chair

August 23, 2001  
Signature Date

/s/ Daniel J. Danvir  
Daniel J. Danvir  
Public Arbitrator

August 27, 2001  
Signature Date

/s/ Dan B. Williams  
Dan B. Williams  
Non-Public Arbitrator

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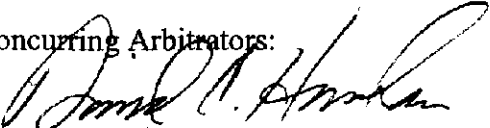
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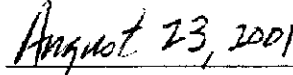
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Public Arbitrator, Presiding Chair

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Public Arbitrator

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*Aug. 27 2001*  
Signature Date

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Public Arbitrator, Presiding Chair

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Signature Date



8-23-01