

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Patrick LoRusso, (Claimant) vs. Madison Capital Markets Corp. and Joseph Papeo,
(Respondents)

Case Number: 99-05265

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Patrick LoRusso, hereinafter referred to as "Claimant": Patrick Joyce, Esq., Freidson & Joyce L.L.P., New York, NY.

Respondent, Madison Capital Markets Corp. ("Madison"), did not appear at the hearing in this matter. Previously represented by: Terence D. Watson, Esq., Zevnik Horton Guibord McGovern Palmer & Fognani, L.L.P., New York, NY.

Respondent, Joseph Papeo ("Papeo"): Steven Altman, Esq., Ziegler, Ziegler, & Altman, LLP, New York, NY. Previously represented by: Terence D. Watson, Esq., Zevnik Horton Guibord McGovern Palmer & Fognani, L.L.P., New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: November 20, 1999.

Answer to Counterclaim filed by Claimant on or about: March 7, 2000.

Claimant signed the Uniform Submission Agreement: December 10, 1999.

Statement of Answer, Counterclaim, and Motion to Dismiss filed by Respondents on or about: February 18, 2000.

Madison signed the Uniform Submission Agreement: March 3, 2000.

Papeo signed the Uniform Submission Agreement: March 3, 2000.

CASE SUMMARY

Claimant asserted the following causes of action: unauthorized purchases of the stocks of America Online, Inc. and International Business Machines.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Claimant authorized every transaction in his account; the general risk characteristics of each security recommended by Respondents were explained to Claimant before he made the purchases; Respondents did not

Respondents were explained to Claimant before he made the purchases; Respondents did not promise that America Online, Inc. or any other stock would rise to a particular price; and Claimant failed to timely complain in writing as he was contractually obligated to do.

In their Counterclaim, Respondents asserted the following causes of action: Claimant failed to satisfy his obligations under the Margin Agreement he signed and the sale of shares in Claimant's account was insufficient to meet his margin call, thus leaving a net deficiency in the account.

Unless specifically admitted in his Answer, Claimant denied the allegations made in the Counterclaim and asserted the following defenses: the margin agreement purporting to contain Claimant's signature does not reference a broker, an investment corporation, and is undated; the margin agreement defines the nature of the account but does not authorize Respondents to conduct unauthorized trades; and any debit balance complained of by Respondents was incurred due to the unauthorized trades made by Respondents.

RELIEF REQUESTED

Claimant requested compensatory damages in the amount of \$196,000.00, punitive damages in the amount of \$196,000.000, and all legal fees and arbitration costs.

In their Answer and Counterclaim, Respondents requested judgement dismissing the Statement of Claim and awarding them an amount to satisfy the net deficiency in Claimant's account, attorneys' fees, and costs.

In his Answer to the Counterclaim, Claimant requested judgement dismissing the Counterclaim, denying Respondents' Motion to Dismiss, and such other relief, including attorneys' fees, as the Panel deems appropriate.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of the Claimant, the undersigned arbitrators (the "Panel") determined that Madison has been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without Madison present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

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 denied Respondents' Motion to Dismiss Claimant's claim.

AWARD

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

1. Madison be and hereby is solely liable for and shall pay to Claimant the sum of \$196,000.00 as compensatory damages.
2. Claimant's claim against Papeo is dismissed in its entirety.
3. Claimant's request for punitive damages is hereby denied.
4. Respondents' Counterclaim is hereby dismissed in its entirety.
5. All other requests for relief are hereby 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	= \$ 300.00
Counterclaim filing fee	= \$ 500.00

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 person at the time of the events giving rise to the dispute. In this matter, Madison Capital Markets Corp. is a party.

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

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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$1,125.00	= \$1,125.00
Pre-hearing conference: October 4, 2000	1 session

Two (2) Hearing sessions x \$1,125.00	= \$2,250.00
Hearing Date: December 7, 2000 2 sessions	
Total Forum Fees	= \$3,375.00

The Panel has assessed all of the forum fees against Papeo.

Fee Summary

1. Claimant be and hereby is solely liable for:

<u>Initial Filing Fee</u>	= \$ 300.00
Total Fees	= \$ 300.00
<u>Less payments</u>	= \$1,425.00
Refund Due Claimant	= \$1,125.00

2. Madison be and hereby is solely liable for:

<u>Member Fees</u>	= \$4,600.00
Total Fees	= \$4,600.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution, Inc.	= \$4,600.00

3. Papeo be and hereby is solely liable for:

<u>Forum Fees</u>	= \$3,375.00
Total Fees	= \$3,375.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution, Inc.	= \$3,375.00

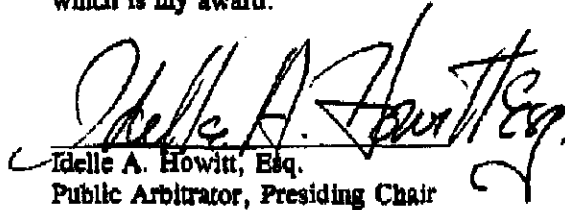
4. Respondents be and hereby are jointly and severally liable for:

<u>Counterclaim Filing Fee</u>	= \$ 500.00
Total Fees	= \$ 500.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 500.00

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

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, 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.


Idelle A. Howitt, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Dorothy E. Morris
Public Arbitrator

Signature Date

Daphne D. Duverney, Esq.
Industry Arbitrator

Signature Date

January 22, 2001
Date of Service (For NASD office use only)

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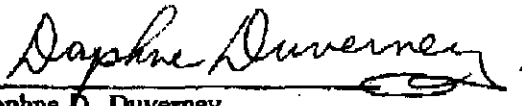
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Industry Arbitrator

1/17/01

Signature Date

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