

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant

Kendall H. Loughney

Case Number: 01-04253

Names of the Respondents

Rural Securities, Inc., Moises Ramos,
Federico Jenkins, Fernando Toledo,
Adriano Teixeira, First Securities
Investments, Inc., Northeast Securities,
Inc., Didier Stickel, Rural International, Inc.
and Bear, Stearns Securities Corp.

Hearing Site: Boca Raton, Florida

Nature of Dispute: Customer vs. Member, Non-Member and Associated Person.

REPRESENTATION OF PARTIES

For Kendall H. Loughney, hereinafter referred to as "Claimant": Darren C. Blum, Esq., Blum, Silver & Schwartz, P.A., Plantation, Florida.

For Respondents Rural Securities, Inc. ("RSI"), Moises Ramos ("Ramos"), Federico Jenkins ("Jenkins"), Fernando Toledo ("Toledo"), Adriano Teixeira ("Teixeira") and Rural International, Inc. ("RII"): Robert B. Macaulay, Esq., Mitrani, Rynor, Adamsky & Macaulay, P.A., Miami, Florida.

For Respondent First Security Investments, Inc. ("FSI"): Margaret Manolakis, Esq., Stradley, Ronon, Stevens & Young, LLP, Philadelphia, Pennsylvania.

For Respondent Northeast Securities, Inc. ("NES"): Charles M. O'Rourke, Esq., Woodbury, New York.

For Respondent Bear, Stearns Securities Corp. ("BSS"): Charles M. O'Rourke, Esq., Woodbury, New York until his withdrawal of counsel on or about March 6, 2003. Thereafter, Respondent BSS was represented by Howard N. Kahn, Esq., Kahn & Chenkin, Hollywood, Florida.

Respondent Didier Stickel ("Stickel") appeared pro se.

CASE INFORMATION

Statement of Claim filed on or about: August 10, 2001.

Claimant signed the Uniform Submission Agreement: July 11, 2001.

Motion to Dismiss, Answer and Crossclaim Against Respondent RSI filed by Respondent NES on or about: October 29, 2001.

Statement of Answer filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: October 30, 2001.

Respondent RSI signed the Uniform Submission Agreement: October 30, 2001.
Respondent Jenkins signed the Uniform Submission Agreement: October 30, 2001.
Respondent Teixeira signed the Uniform Submission Agreement: October 29, 2001.
Respondent Toledo signed the Uniform Submission Agreement: October 30, 2001.
Motion to Dismiss filed by Respondent Toledo on or about: October 30, 2001.
Motion to Dismiss filed by Respondent Jenkins on or about: October 30, 2001.
Response to Respondent NES' Motion to Dismiss filed by Claimant on or about: November 12, 2001.
Reply to Claimant's Response to Respondent NES' Motion to Dismiss filed by Respondent NES on or about: November 21, 2001.
Answer, Affirmative Defenses and Motion to Dismiss Claimant's Statement of Claim and Crossclaim Against Respondent RSI filed by Respondent FSI on or about: November 30, 2001.
Response to Respondent FSI's Motion to Dismiss filed by Claimant on or about: December 24, 2001.
Respondent FSI signed the Uniform Submission Agreement: January 22, 2002.
Memorandum of Law in Further Support of its Motion to Dismiss Claimant's Statement of Claim filed by Respondent FSI on or about: May 2, 2002.
Supplement to Response to Respondent NES' Motion to Dismiss filed by Claimant on or about: May 9, 2002.
Reply to Claimant's Supplement to Response to Respondent NES' Motion to Dismiss filed by Respondent NES on or about: May 9, 2002.
Response to Respondent Toledo's Motion to Dismiss filed by Claimant on or about: May 9, 2002.
Response to Respondent Jenkins' Motion to Dismiss filed by Claimant on or about: May 9, 2002.
Motion to Compel, for Sanctions, to Amend the Statement of Claim and to Postpone the Final Hearing filed by Claimant on or about: May 16, 2002.
Response to Motion to Compel, for Sanctions, to Amend the Statement of Claim and to Postpone the Final Hearing filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: May 17, 2002.
Response to Motion to Compel, for Sanctions, to Amend the Statement of Claim and to Postpone the Final Hearing filed by Respondent NES on or about: May 20, 2002.
Claimant's Reply to Respondents RSI, Ramos, Jenkins, Toledo, Teixeira and NES' Responses to Motion to Compel, for Sanctions, to Amend the Statement of Claim and to Postpone the Final Hearing filed on or about: May 20, 2002.
Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Sur-Reply to Claimant's Reply to Respondents RSI, Ramos, Jenkins, Toledo, Teixeira and NES' Responses to Motion to Compel, for Sanctions, to Amend the Statement of Claim and to Postpone the Final Hearing and Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Motion for Re-Hearing filed on or about: May 21, 2002.
Motion to Compel the Filing of Amended Statement of Claim filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: June 17, 2002.
Amended Statement of Claim filed by Claimant on or about: June 28, 2002.
Amended Answer, Motion to Dismiss (Amended Statement of Claim) and Crossclaim Against Respondent RSI filed by Respondent NES on or about: July 26, 2002.

Motion to Dismiss (Amended Statement of Claim) and Answer filed by Respondent BSS on or about: July 26, 2002.

Crossclaim Against Respondent Stickel filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: July 29, 2002.

Motion to Dismiss Amended Statement of Claim filed by Respondent RII on or about: July 29, 2002.

Answer to Amended Statement of Claim filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: July 29, 2002.

Response to Respondent NES' Motion to Dismiss (Amended Statement of Claim) filed by Claimant on or about: July 30, 2002.

Response to Respondent BSS' Motion to Dismiss (Amended Statement of Claim) filed by Claimant on or about: July 30, 2002.

Response to Respondent RII's Motion to Dismiss Amended Statement of Claim filed by Claimant on or about: August 20, 2002.

Motion for Monetary Sanctions and to Strike Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Defenses filed by Claimant on or about: August 21, 2002.

Response to Claimant's Motion for Monetary Sanctions and to Strike Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Defenses filed by Respondents RSI, Ramos, Jenkins, Toledo and Teixeira on or about: September 9, 2002.

Claimant's Reply to Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Response to Motion for Monetary Sanctions and to Strike Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Defenses filed on or about: September 12, 2002.

Respondents RII and Stickel did not submit Statements of Answer or executed Uniform Submission Agreements.

Respondents Ramos, NES and BSS did not file executed Uniform Submission Agreements.

CASE SUMMARY

Claimant asserted the following causes of action: violation of industry rules; violation of Section 517.301 of the Florida Statutes; breach of contract; breach of fiduciary duty; common law fraud; negligence; and, negligent supervision. The causes of action relate to the purchase and sale of shares of Advance Fibre Comm, Ameritrade, E-Trade Group, Inc., Star Media Network, Inc., Wave Systems Corp., America On-Line, Rite Aid Corporation, Adobe Systems, MRV Communications, Inc., Remedy Corp., Yahoo and other unspecified securities in Claimant's account.

Unless specifically admitted in their Answers, Respondents RSI, Ramos, Jenkins, Toledo and Teixeira denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted various defenses. In addition, Respondents RSI, Ramos, Jenkins, Toledo and Teixeira asserted the following causes of action in their crossclaim against Respondent Stickel: negligent supervision; failure to comply with certain regulatory requirements; and, indemnification. Further, Respondents Jenkins and Toledo filed Motions to Dismiss the Statement of Claim on the bases that Claimant failed to allege any connection between Respondents Jenkins and Toledo and the transactions at issue and failed to allege that Respondents Jenkins and Toledo had any control over the operations of Respondent RSI.

Respondent RII filed a Motion to Dismiss the Amended Statement of Claim on the bases that Respondent RII is not an NASD member and is not subject to the jurisdiction of NASD Dispute Resolution.

Unless specifically admitted in its Answers, Respondent NES denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted various defenses. In addition, Respondent NES filed Motions to Dismiss the Statement of Claim and Amended Statement of Claim on the bases that, pursuant to the clearing agreement between Respondents NES and RSI, Respondent NES had no duty to supervise the activities in Claimant's account and Respondent NES had fully disclosed to Claimant that Respondent RSI supervised Claimant's account. Further, Respondent NES asserted a crossclaim for indemnification against Respondent RSI.

Unless specifically admitted in its Answer, Respondent BSS denied the allegations made in the Amended Statement of Claim and asserted various defenses. In addition, Respondent BSS filed a Motion to Dismiss the Amended Statement of Claim on the bases that Claimant failed to state a claim against Respondent BSS and, as a clearing firm, Respondent BSS had no duty to supervise Claimant's account, Respondent RSI or Respondent RSI's employees or registered representatives.

Unless specifically admitted in its Answer, Respondent FSI denied the allegations made in the Statement of Claim, asserted various defenses and filed a Motion to Dismiss the Statement of Claim on the bases that Respondent FSI had no direct relationship with Claimant and was not responsible for the actions of any of the other named Respondents. In addition, Respondent FSI asserted a crossclaim for indemnification against Respondent RSI.

In response to the Motions to Dismiss, Claimant denied the assertions therein.

RELIEF REQUESTED

Claimant requested compensatory damages in the amount of \$1,000,000.00, plus interest at the legal rate from the date of purchase, or reasonable market return, rescission, attorney's fees to be determined by a court of competent jurisdiction, punitive damages, costs and any other relief deemed just and proper.

Respondents RSI, Ramos, Jenkins, Toledo and Teixeira requested judgment dismissing Claimant's claims, plus costs, attorney's fees and any other relief deemed just and proper. In addition, as asserted in their crossclaim, Respondents RSI, Ramos, Jenkins, Toledo and Teixeira requested indemnification from Respondent Stickel.

Respondent RII requested judgment dismissing Claimant's claims.

Respondent NES requested judgment dismissing Claimant's claims, plus costs and attorney's fees. In addition, as asserted in its crossclaim, Respondent NES requested indemnification from Respondent RSI.

Respondent BSS requested judgment dismissing Claimant's claims.

Respondent FSI requested judgment dismissing Claimant's claims and assessing costs and attorney's fees against Claimant. In addition, as asserted in its crossclaim against Respondent RSI, Respondent FSI requested indemnification, interest, costs and attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Stickel, BSS and NES did not file with NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure (the "Code") and are bound by the determinations of the Panel on all issues submitted.

On or about May 7, 2002, Claimant notified NASD Dispute Resolution that the claims against Respondent FSI were settled.

On or about May 17, 2002, the Panel issued an order which denied Respondents NES, Toledo and Jenkins' Motions to Dismiss the Statement of Claim.

On or about May 20, 2002, the Panel issued an order which granted Claimant's Motion to Compel, for Sanctions with respect to Respondent RSI only, to amend the Statement of Claim and to Postpone the Final Hearing. The order granted Claimant leave to amend the Statement of Claim to add Respondents Stickel and RII, a non-member of the NASD, as parties in this matter.

On or about June 28, 2002, Claimant amended the Statement of Claim to add Respondents Stickel and RII as parties in this matter.

On or about October 10, 2002, the Panel issued an order which denied Respondent RII's Motion to Dismiss the Amended Statement of Claim.

On or about November 8, 2002, the Panel issued an order which denied Claimant's Motion for Monetary Sanctions and to Strike Respondents RSI, Ramos, Jenkins, Toledo and Teixeira's Defenses. The order further stated that the Panel reserved ruling as to what sanctions to impose upon Respondents RSI, Ramos, Jenkins, Toledo and Teixeira until the conclusion of the case. Thereafter, at the conclusion of the case, the Panel determined to assess the total forum fees to Respondent RSI as sanctions.

On or about April 29, 2003, Claimant notified NASD Dispute Resolution that the claims against Respondents Ramos and Teixeira were dismissed, without prejudice.

On or about May 5, 2003, Respondents Ramos and Teixeira agreed to the dismissal of the claims against them by Claimant, without prejudice. In addition, Respondents Ramos and Teixeira dismissed their crossclaims against Respondent Stickel, without prejudice.

On or about June 19, 2003, the Panel issued an order which denied Respondents BSS and NES' Motions to Dismiss the Amended Statement of Claim.

During the evidentiary hearing on January 21, 2004, Claimant notified the Panel that his claims against Respondent Stickel were dismissed, without prejudice. In addition, Respondents RSI, Jenkins and Toledo notified the Panel that their crossclaims against Respondent Stickel were dismissed, without prejudice.

During the evidentiary hearing on June 23, 2004, at the conclusion of Claimant's case, Respondents BSS, NES and RSI made ore tenus motions to dismiss. Claimant objected to the motions. The Panel denied the motions.

On June 24, 2004, at the conclusion of the case and after closing remarks, the Panel determined to dismiss all claims against Respondents NES, BSS and RII.

The parties have agreed that the Award in this matter may be executed in counterpart copies.

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:

All claims against Respondents BSS, NES and RII are dismissed.

Respondents RSI, Jenkins and Toledo are each individually liable on the claims of breach of contract, breach of fiduciary duty, negligence and negligent supervision. As such, Respondents RSI, Jenkins and Toledo shall pay to Claimant compensatory damages, plus interest at the prevailing state rate from June 25, 2004 until the date of payment of the Award, as follows:

Respondent RSI shall pay to Claimant compensatory damages in the amount of \$200,000.00;

Respondent Jenkins shall pay to Claimant compensatory damages in the amount of \$20,000.00; and,

Respondent Toledo shall pay to Claimant compensatory damages in the amount of \$20,000.00.

Respondent RSI is liable and shall pay to Claimant the sum of \$375.00 representing reimbursement of the claim filing fee previously paid by Claimant to NASD Dispute Resolution.

All parties are to bear their own costs.

Respondent NES' crossclaim against Respondent RSI is denied.

Respondent FSI's crossclaim against Respondent RSI is denied.

Any and all claims for relief not specifically addressed herein, including Claimant's requests for punitive damages and for damages pursuant to Section 517.301 of the Florida Statutes, are denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 375.00
Crossclaim filing fee	= \$ 1,250.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firms Rural Securities, Inc., Bear, Stearns Securities Corp., Northeast Securities, Inc. and First Security Investments, Inc. are parties.

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

Adjournment Fees

Adjournment granted during these proceedings for which fees were assessed:

May 22-24, 2002, adjournment requested by Claimant.	= \$1,200.00
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The Panel assessed the total adjournment fees of \$1,200.00 to Respondent RSI.

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the Panel.

No injunctive relief fees were incurred in this matter.

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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 a single arbitrator @ \$450.00 = \$ 450.00
Pre-hearing conference: May 8, 2002 1 session

One (1) Pre-hearing session with the Panel @ \$1,200.00 = \$ 1,200.00
Pre-hearing conference: March 6, 2002 1 session

Fourteen (14) Hearing sessions @ \$1,200.00 = \$16,800.00
Hearing Dates: January 20, 2004 2 sessions
January 21, 2004 2 sessions
January 22, 2004 2 sessions
June 22, 2004 2 sessions
June 23, 2004 3 sessions
June 24, 2004 3 sessions

Total Forum Fees = \$18,450.00

The Panel has assessed the total forum fees of \$18,450.00 to Respondent RSI.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters and security.

During the evidentiary hearing on January 21, 2004, Respondent RSI requested three copies of a hearing exhibit for the Panel

102 pages x 3 copies x \$0.25 per page = \$76.50

FEE SUMMARY

Claimant is solely liable for:

<u>Initial Filing Fee</u>	= \$ 375.00
<u>Total Fees</u>	= \$ 375.00
<u>Less payments</u>	= \$ 375.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent BSS is solely liable for:

<u>Member Fees</u>	= \$ 6,100.00
<u>Total Fees</u>	= \$ 6,100.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 6,100.00

Respondent RSI is solely liable for:

Member Fees	= \$ 6,100.00
Adjournment Fees	= \$ 1,200.00
Administrative Costs	= \$ 76.50
Forum Fees	= \$18,450.00
<u>Total Fees</u>	<u>= \$25,826.50</u>
<u>Less payments</u>	<u>= \$ 6,100.00</u>
Balance Due NASD Dispute Resolution	= \$19,726.50

Respondent NES is solely liable for:

Crossclaim Filing Fee	= \$ 1,250.00
Member Fees	= \$ 6,100.00
<u>Total Fees</u>	<u>= \$ 7,350.00</u>
<u>Less payments</u>	<u>= \$ 7,350.00</u>
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents RSI, Jenkins, Ramos, Teixeira and Toledo are jointly and severally liable for:

<u>Crossclaim Filing Fee</u>	<u>= \$ 1,250.00</u>
<u>Total Fees</u>	<u>= \$ 1,250.00</u>
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 1,250.00

Respondent FSI is solely liable for:

Crossclaim Filing Fee	= \$ 1,250.00
Member Fees	= \$ 6,100.00
<u>Total Fees</u>	<u>= \$ 7,350.00</u>
<u>Less payments</u>	<u>= \$ 6,100.00</u>
Balance Due NASD Dispute Resolution	= \$ 1,250.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Michael A. Levin, Esq.	-	Public Arbitrator, Presiding Chair
Arthur L. Sirkin, Esq.	-	Public Arbitrator
Paul W. Sterman, CPA	-	Public Arbitrator

Concurring Arbitrators' Signatures

/s/

06/28/04

Michael A. Levin, Esq.
Public Arbitrator, Presiding Chair

Signature Date

/s/

06/28/04

Arthur L. Sirkin, Esq.
Public Arbitrator

Signature Date

/s/

06/29/04

Paul W. Sterman, CPA
Public Arbitrator

Signature Date

07/01/04

Date of Service (For NASD Dispute Resolution office use only)

Concurring Arbitrators' Signatures

Michael A. Levin, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Arthur L. Sirkin, Esq.
Public Arbitrator

Signature Date

Paul W. Sterm
Paul W. Sterm, CPA
Public Arbitrator

June 29, 2004
Signature Date

Date of Service (For NASD Dispute Resolution office use only)

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Concurring Arbitrators' Signatures

Michael A. Levin, Esq.
Public Arbitrator, Presiding Chair

Signature Date



Arthur L. Sirkin, Esq.
Public Arbitrator



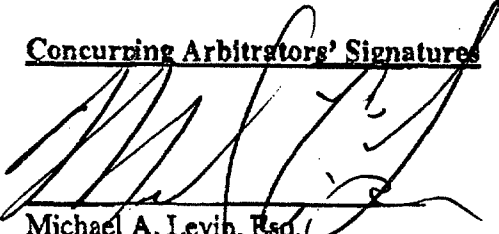
Signature Date

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Public Arbitrator

Signature Date

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Public Arbitrator, Presiding Chair

6-28-04

Signature Date

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Public Arbitrator

Signature Date

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Public Arbitrator

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