

DEALS & DEALMAKERS

NYSE Panel Slaps Broker With \$429.5 Million Fine

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A New York Stock Exchange arbitration panel has levied a record \$429.5 million in damages and other fees against a former PaineWebber Inc. broker after finding he defrauded clients.

The panel found the broker, Enrique Perusquia, "committed acts of fraud, forgery, breach of fiduciary duty, embezzlement, self-dealing and other heinous acts" after hearing charges brought by a group of a dozen plaintiffs led by Francisco Lerma, a Mexican real-estate and construction executive.

The clients had lost more than \$100 million after Mr. Perusquia put their assets into gold stocks that proved worthless, as well as other inappropriate securities, according to Thomas R. Ajamie, a lawyer for the plaintiffs in Houston.

In an amended claim filed last year with the Big Board, the plaintiffs said Mr. Perusquia had forged customer signatures and faxed phony account statements. Investors' assets were put into such gold stocks as American Resource Corp., which first soared in price and later tumbled, the claim alleged.

The claim accused Mr. Perusquia of operating a "pump-and-dump" scheme in which he drove up the price of the stocks via purchases with his clients' money, for which he allegedly received kickbacks from other parties who were selling at the same time.

The award included \$208.7 million for losses—an amount Mr. Ajamie said was determined by what the investors should have made if the funds had been invested "properly"—plus \$208.7 million in punitive damages, \$11 million in attorneys' fees and \$1.1 million in costs.

Mr. Perusquia, 48 years old, couldn't be reached for comment. A residential phone in his name in Jackson Hole, Wyo., has an unpublished listing. And his lawyers didn't return calls seeking comment Monday. The amount of the award was published

Dec. 23 in Wall Street Letter, a securities industry newsletter. Decided on Nov. 15, the award was reported Dec. 14 in the Houston Chronicle.

Mr. Perusquia's late father, Melchor Perusquia, was a prominent real-estate developer in Mexico. Margarita Perusquia, Mr. Perusquia's mother, expressed shock at the size of the award when reached Monday at her apartment on Fifth Avenue in Manhattan. "That is absolutely ridiculous." She also denied that her son had embezzled funds from clients, chalking up the losses to "very bad judgment" instead of more serious wrongdoing.

The size of the award was roughly 10 times that of the next largest award, as ranked by the Securities Arbitration Commentator, a newsletter. In June, 13 investors won \$43 million from Refco Inc., a former broker at the firm and one of its customers, financial adviser Jay Goldinger. In May 2000, a federal jury in Manhattan ordered Bear Stearns Cos. to pay \$111.5 million to a Canadian investor who suffered losses on currency trades in the mid-1990s; Bear Stearns has appealed.

Two factors appeared to have boosted the size of the NYSE award against Mr. Perusquia.

As the NYSE decision noted, the claimants had settled their charges against three other more deep-pocketed parties who might have contested them more vigorously. They included Mr. Perusquia's previous employers, Lehman Brothers Holdings Inc., where he worked from 1987 until 1994, and PaineWebber, now a unit of UBS AG, where he worked between 1994 and 1998. The plaintiffs also settled with Chase Manhattan Private Bank (Switzerland), now a unit of J.P. Morgan Chase & Co., which held some of the plaintiffs' assets.

In addition, Mr. Perusquia's lawyers didn't mount a detailed defense in the NYSE arbitration proceeding; instead, they invoked his Fifth Amendment right against self-incrimination in declining to answer questions, Mr. Ajamie said.