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PACIFIC EXCHANGE, INC.
301 Pine Street
San Francisco, California 94104

PCX ARBITRATION

In The Matter Of The Arbitration Between:

~~██████████, ██████████, and~~
~~██████████,~~

Claimants

PCX CASE #: 00-L022

v.

DECISION

FIRST UNION SECURITIES, INC.
and FREDDIE LEE,

Respondents

The undersigned Arbitrators, having read and considered the claim submitted by ~~██████████, Inc.~~, ~~██████████, Inc.~~, and ~~██████████, Inc.~~ ("Claimants") on June 26, 2000, and the answer of First Union Securities, Inc. and Freddie Lee ("Respondents") hereby render the following decision pursuant to Rule 12 of the Rules of the Board of Governors of the Pacific Exchange:

REPRESENTATION OF PARTIES

Of Claimants : Sanford M. Gage, Esq.
Kenneth S. Gaines, Esq.
Steven L. Miller, Esq.
Law Offices of Kenneth S. Gaines

Of Respondents: Jon L. Rewinski, Esq.
Heller Ehrman White & McAuliffe LLP

SUMMARY OF THE FACTS

At the recommendation of their Certified Public Accountant, Fung T. Yen, Claimants through their common owner and president, ██████████, opened one, and then another commodity trading account through Respondent Lee at Kemper/Everen/First Union Securities, Inc. ("First Union"). In December of 1999, ██████████ reported to First Union that Yen had moved funds out of Claimants' account into accounts of which Yen was the beneficial owner. ██████████ also reported that Yen had deposited, into accounts of which he was the beneficial owner, two third-party, escrow checks issued by Vera's Escrow and payable to

Everen in the respective sums of \$100,000.00 and \$50,000.00 that were intended for deposit into Claimants' accounts ██████ claimed a total loss for Claimants of in excess of \$626,500.00.

ISSUES PRESENTED

1. Were Respondents justified in allowing Yen to move funds out of Claimants' account?
2. Did Respondents have an obligation to question the issuer (Vera's Escrow) as to the ultimate payee of the two checks payable to Everen Securities in the respective sums of \$100,000.00 and \$50,000.00?
3. Did Respondents adequately notify Claimants of the activity in Claimants' accounts?
4. There were no counterclaims.

RELIEF REQUESTED

Claimants request \$626,500.00 plus interest and punitive and exemplary damages.

FINDINGS AND DECISIONS

1. There existed an intimate and informal business relationship between ██████ and Yen, which contributed to the loss by Claimants. Respondents also contributed to this loss (1) by not clearly articulating, either in the text of a limited power of attorney or orally, that such power of attorney allowed withdrawals of funds by the agent and (2) by first undertaking to advise Claimants when checks were issued from Claimants' accounts that were not mailed to or picked up by Claimants, and by then abruptly stopping that practice.
2. Respondents did not have an obligation to question the issuer as to the ultimate payee of the two Vera's escrow checks.
3. Respondents adequately notified Claimants of the activity in their accounts.

AWARD

Claimants are awarded the sum of \$40,000.00 in general damages from Respondents.

OTHER DETERMINATIONS

Respondents shall not reimburse Claimants' non-refundable filing fee.

Respondents shall not reimburse Claimants' hearing session deposit.

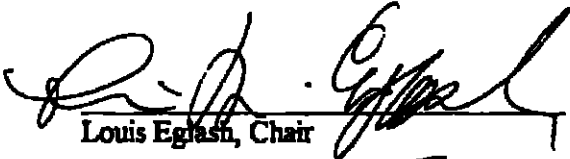
The parties shall bear their own costs of arbitration.

This matter will not be referred to any and all appropriate regulatory organization for disciplinary investigation of rule violations or violation of federal securities law.

FORUM FEES

Three full day sessions and two half day deliberations. Respondents are assessed forum fees payable to the Pacific Exchange in the amount of \$4,000 00.

Dated: 12-3-'00


Louis Eglash, Chair

Dated: 12-3-00


Jeffrey P. Palmer, Public Arbitrator

Dated: 12/9/00


Haim Pekelis, Industry Arbitrator