

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Eugene Gros
Scientific Information Consultants, Ltd.

Claimants

vs.

Philips Appel and Walden, Inc.
Laidlaw, Adams and Peck, Inc.
Andrew Racz

Respondents

CASE #86-01520
AWARD

CASE SUMMARY

Claimants Eugene Gros and Scientific Information Consultants, Ltd. charged Respondents with fraud, breach of contract and breach of fiduciary duty in allegedly investing Claimants' funds in securities and options that were entirely unsuitable to their needs, churning and manipulating Claimants' accounts for the purpose of generating commissions and making various misstatements and misrepresentations to them. Claimant Gros also charged Respondent Racz with defamation, invasion of privacy and attempted blackmail. Respondents generally denied all of Claimants' allegations. In addition, Respondent Philips Appel and Walden, Inc. maintained that all transactions were directed, authorized and ratified by the Claimants and were suitable for them. Respondent Laidlaw, Adams and Peck, Inc. maintained that Claimant Eugene Gros held himself out as a sophisticated investor and directed or ratified all transactions and denied that the Claimants funds were invested in any security or options which were unsuitable. Respondent Andrew Racz alleged Claimant was fully informed of all transactions in his account, maintained close supervision over the accounts and ratified all transactions.

RELIEF REQUESTED

Claimants Eugene Gros and Scientific Information Consultants, Ltd. requested damages of \$340,000.00 plus punitive damages of \$1,000,000.00 for libel and invasion of privacy and \$5,000,000.00 for attempted blackmail. Respondent Philips Appel and Walden, Inc. requested dismissal of claims against them. Respondent Laidlaw, Adams and Peck requested dismissal of claims against them plus costs, disbursements and attorneys' fees. Respondent Andrew Racz requested dismissal of the claims against him, with costs.

AWARD

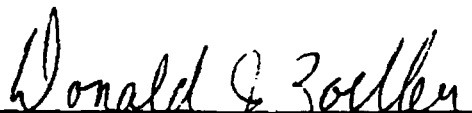
On July 19, August 2, October 4 and December 6, 1989 said dates representing four (4) hearing sessions, the undersigned arbitrators heard the controversy between the parties at the offices of the National Association of Securities Dealers, Inc. located in New York City, NY as set forth in submissions to arbitration signed by Claimants Eugene Gros and Scientific Information Consultants, Ltd. on November 18, 1986, and by Respondent Andrew Racz on May 24, 1989, and not signed by Respondents Philips Appel and Walden, Inc. and Laidlaw, Adams and Peck, Inc. as required pursuant to Section 8 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure. The Statement of Claim was filed with the National Association of Securities Dealers, Inc. on December 19, 1986. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, and the arguments of counsel has determined in full and final resolution of the issues submitted for determination as follows:


1. In accordance with Section 25 of the Code of Arbitration Procedure, the Respondent Laidlaw, Adams and Peck, Inc. and Respondent Philips Appel and Walden, Inc. were served with the Statement of Claim and given an opportunity to respond.
2. In accordance with Section 21, and Section 26 of the Code of Arbitration Procedure, Respondent Laidlaw, Adams and Peck, Inc. and Respondent Philips Appel and Walden, Inc. were given due notice of the hearing procedure by regular and certified mail and failed to appear at the hearing.
3. In accordance with Section 29 of the Code of Arbitration Procedure, the arbitration panel determined in light of the foregoing information to proceed with the hearing as scheduled.
4. The panel awards to Claimant Eugene Gros the following:
 - (a) Against Respondent Andrew Racz the sum of \$142,815.00 which represents damages; plus the sum of \$63,413.67 which represents simple interest accrued at the rate of 9% from January 1, 1985 to December 6, 1989; plus simple interest at the rate of 9% from December 6, 1989 until the date of payment of the award.
 - (b) Against Respondent Laidlaw, Adams and Peck, Inc. the sum of \$97,199.00, which represents damages; plus the sum of \$49,668.67, which represents simple interest accrued at the rate of 9% from April 2, 1984 to December 6, 1989; plus simple interest at the rate of 9% from December 6, 1989 until the date of payment of the award.

The award of \$97,199.00 shall be joint and several against Respondents Andrew Racz and Laidlaw, Adams and Peck, Inc. In no event shall Respondent Laidlaw, Adams and Peck, Inc. be liable for any amount in excess of \$97,199.00 plus interest as aforesaid. And in no event shall Claimants total recovery in this arbitration exceed the sum of \$142,815.00, plus interest as aforesaid.

5. The Claimants' claims against Respondent Philips Appel and Walden, Inc. be and hereby are dismissed in all respects.
6. The claims of Claimant Scientific Information Consultants, Ltd. be and hereby are dismissed in all respects.
7. The Claimants' claim for punitive damages be and hereby is dismissed in all respects.
8. The Claimants' claims for libel, invasion of privacy and attempted blackmail damages be and hereby are dismissed in all respects.
9. The Claimants' claim for professional costs be and hereby is dismissed in all respects.
10. The parties shall each bear their respective costs including attorneys' fees.
11. Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the \$750.00 filing fee previously deposited by the Claimants. In addition, the Claimants be and hereby are liable jointly and severally and shall pay to the National Association of Securities Dealers, Inc. the sum of \$750.00 to represent forum fees and Respondents Andrew Racz and Laidlaw, Adams and Peck, Inc. be and hereby are liable jointly and severally and shall pay to the National Association of Securities Dealers, Inc. the sum of \$1,500.00 to represent forum fees.

CONCURRING ARBITRATORS


Donald J. Zoeller


Henry Guttman


Paul M. Rosenthal