

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Ray W. and-Barbara B. Phillips Claimants

vs.

Prudential-Bache Securities and Respondents
Stan Brown

CASE NO. 88-00073

SUMMARY OF ISSUES

The claim in this matter was filed on December 14, 1987. Claimants Ray Phillips and Barbara Phillips alleged that Respondent Stan Brown, a representative of Respondent Prudential-Bache Securities, Inc., came to their home several times in the fall of 1985 to discuss investment possibilities and that after they had declined several other recommendations, in December of 1985 Respondent Brown recommended Damson Energy B, and Claimants purchased 1,500 shares at 7-1/8, for a total investment of \$10,687.00, on January 28, 1986. Claimants allege that Respondent Brown recommended that they purchase 1,500 more shares in February of 1986, after the price had declined to 4-1/2 to average their price down and give them a better profit margin, which Claimants did, bringing their total investment to \$18,440.00. Claimants alleged that Respondents recommendation of Damson Energy B was fraudulent because Respondent Stan Brown falsely represented that he had investigated Damson Energy B, that it was a good company, and neglected to inform them that the company had lost money and was subject to numerous lawsuits; and that Stan Brown's recommendations violated the Suitability and Know your Customer Rules of the National Association of Securities Dealers because Claimants' investment portfolio should have been diversified. Respondents Prudential-Bache and Stan Brown deny that they have any liability to Claimants, allege that they furnished Claimants all the information available to them concerning Damson Energy B, and that the investment was suitable to Claimants who had informed Stan Brown, both through their requests and their prior investment activities, that their investment objectives were speculative and that in any event the decision to invest in Damson Energy B was made by Claimant Ray Phillips based upon the fact that Respondent Stan Brown had himself invested in Damson Energy B.

DAMAGES AND RELIEF REQUESTED

Claimants request an award of \$18,440.00, together with interest and attorneys' fees. Respondents request that Claimants take nothing by their claim and that the claim be dismissed.

DAMAGES AND RELIEF AWARDED


On August 9, 1989 in Salt Lake City, Utah, the undersigned arbitrators heard the controversy in 2 sessions between the parties as set forth in submissions to arbitration signed by Claimants Ray W. Phillips and Barbara B. Phillips on March 16, 1988 and by Respondents Prudential-Bache Securities, Inc. and Stan Brown. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Each and every claim of Claimants Ray W. Phillips and Barbara B. Phillips is dismissed.
2. The parties shall each bear their respective costs including attorneys' fees.
3. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedure, the NASD shall retain the \$400.00 filing fee previously deposited by the Claimant.

ARBITRATORS CONCURRING

DATE SERVED: 10/03/89

Parker M. Nielson, Esq.



James R. Kruse, Esq.

Ruth Graham Glick

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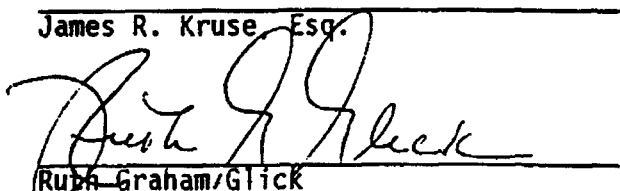
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