

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between)
SIDNEY and REBECCA SEID,)
Claimants,) Case #88-02292
vs.) Award
PRUDENTIAL-BACHE SECURITIES, INC.)
and HOWARD SEID,)
Respondents.)

Heard before the members of the Arbitration Panel:

Professor Stephen K. Halpert
Harry Polansky
Leslie Bishop

CASE SUMMARY

This claim was filed with the NASD, Inc. on July 18, 1988. The hearing was conducted in Fort Lauderdale, Florida on July 7, and October 5 and 6, 1989 with a total of six (6) sessions.

Claimants, Sidney Seid and Rebecca Seid, alleged negligence, negligent supervision, breach of fiduciary duties, breach of contract, violation of Sections 517.301 and 517.211, Florida Statutes and violation of Section 12(2) of the 1933 Securities Act. In support of those claims, Claimants alleged that Respondent, Howard Seid ("Seid"), Claimants' son, while acting as their account executive and on behalf of Respondent, Prudential-Bache Securities, Inc. ("Bache"), made misrepresentations of material fact and omitted to state material facts in regard to the recommendations and transactions for Claimants' account; that Respondents made unauthorized trades in options, securities, bonds and CDs; recommended and effected trades unsuitable for Claimants with knowledge of their expressed investment objectives; failed to act in conformance with the rules and regulations of the various regulatory and self-regulatory organizations and Bache's own internal rules and regulations; and failed to disclose the risks of option investing and the unsuitability of such trading for Claimants.

Respondent Seid admitted the wrongdoing alleged by the Claimants and alleged that it was due to his loss of reason; and was permitted to occur and even encouraged by Bache's lack of supervision and total disregard of its compliance responsibilities.

Respondent Bache denied all wrongdoing, maintained that it acted properly at all times, and managed the Claimants' account with due care. Bache alleged that the Claimants were fully informed of the risks of options trading, and ratified the options transactions in their account. Bache counterclaimed for forcing it to defend a frivolous claim and cross claimed against Respondent Seid for indemnification.

RELIEF REQUESTED

Claimants requested damages in the amount of \$153,791.11, punitive damages of \$1,000,000.00, interest, costs, a reasonable attorney's fee, plus their costs of preparation for the July 7, 1989 hearing in the amount of \$1,716.50. Respondent, Bache, requested that the claims be denied, its costs, and indemnification from Respondent Seid. Respondent Seid requested his costs for travel to the postponed hearing on May 12, 1989 and to the hearing on July 7, 1989 in the amount of \$440.00.

AWARD

On July 7 and October 5 and 6, 1989, the arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants on July 13, 1988, by Respondent Seid on November 25, 1988, and by Respondent Bache on December 29, 1988. 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. The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the Award while the originals remain on file with the NASD, Inc.
2. Respondent Bache shall be liable and shall pay to the Claimants the amount of Twenty Thousand and 00/100 (\$20,000.00) Dollars.
3. Respondent Seid shall be liable and shall pay to the Claimants the amount of Eighty Three Thousand and 00/100 (\$83,000.00) Dollars.
4. Claimants' request for attorney's fees and punitive damages are denied in their entirety.
5. Respondent/Cross Respondent Seid shall not be liable to the Respondent/Cross Claimant Bache and, therefore, the cross claim against him is hereby dismissed.
6. Claimants/Counter Respondents shall not be liable to the Respondent/Counter Claimant Bache and, therefore, the counter-claim against them is hereby dismissed.
7. Pursuant to Section 43 of the Code of Arbitration Procedure, Respondent Bache is hereby assessed forum fees in the amount of Six Thousand and 00/100 (\$6,000.00) Dollars (six sessions x \$1,000.00), of which it shall pay One Thousand and 00/100 (\$1,000.00) Dollars directly to Claimants and Five Thousand and 00/100 (\$5,000.00) to the National Association of Securities Dealers, Inc. The NASD shall retain the One Thousand and 00/100 (\$1,000.00) Dollar filing fee previously deposited by the Claimants.

8. Respondent Bache is hereby assessed and shall pay further costs in the amount of Four Hundred Forty and 00/100 (\$440.00) Dollars to Respondent Seid and Seven Hundred Ten and 00/100 (\$710.00) Dollars to the Claimants, for costs and expenses occasioned by the postponed hearings of May 12, and July 7, 1989.
9. The parties shall each bear all other costs and expenses incurred by them in connection with this proceeding.

OTHER ISSUES

None.

ARBITRATORS CONCURRING

Professor Stephen K. Halpert, Harry Polansky and Leslie Bishop.

Dated this 16th day of October 1989.