

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Arlene Vonnegut

Claimant

vs.

First Affiliated Securities, Inc. Respondents  
and William Morgan

AWARD

CASE NO. 88-03313

SUMMARY OF ISSUES

This case was filed on October 25, 1988. Claimant alleged that Respondents violated the suitability rules by investing her funds in high risk, speculative stocks, trading options, and opening a margin account for Claimant. Claimant also alleged breach of fiduciary duty and misrepresentation regarding Claimant's investments and investment positions. Claimant alleged that she was an unsophisticated investor. Respondents alleged that Claimant was not an unsophisticated investor. Respondents asserted that Claimant understood the investment program embarked upon, is well-educated, and was quite aware of, and accepted, the risks involved. Respondents denied the claim that Respondent Morgan misrepresented the status and profitability of her account. Respondents alleged that Claimant is barred from recovery based upon ratification, that Claimant waived any right to recovery, and that Claimant has failed to document any facts supporting her claimed losses.

DAMAGES AND RELIEF REQUESTED

Claimant requested an award of the following: 1. stock losses and margin interest of \$38,000.00; 2. return of commissions paid to Mr. Morgan in the amount of \$8,286.00; 3. interest of \$15,000.00; and 4. punitive damages of \$100,000.00. Respondents requested that the claim for damages be denied and that they be awarded their fees and costs. At the hearing, Claimant stated that damages were approximately \$26,000.00 plus interest, and also requested punitive damages of \$25,000.00.

DAMAGES AND RELIEF AWARDED

On January 8 and 9, 1990, the undersigned arbitrators heard the controversy in 5 sessions between the parties as set forth in submissions to arbitration signed by Claimant on October 5, 1988, by Respondent First

Affiliated Securities, Inc. on December 30, 1988, and by Respondent William Morgan at the hearing on January 8, 1990 in the presence of the arbitrators. The arbitration panel, having considered the pleadings, the testimony, the evidence presented at the hearing, and post-hearing submissions, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents First Affiliated Securities, Inc. and William Morgan are liable for and shall pay to Claimant the sum of Twenty-Thousand Dollars and No Cents (\$20,000.00). Said liability is joint and several.

2. The parties shall each bear their respective costs including attorneys' fees.

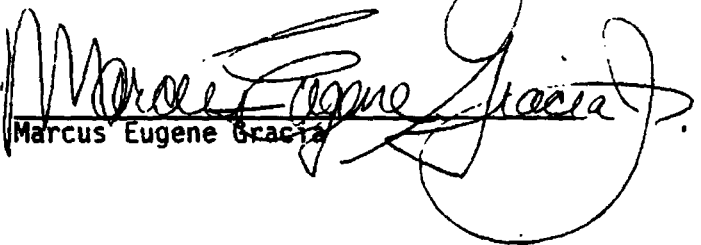
3. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. (NASD) Code of Arbitration Procedure:

- a. the NASD shall retain the \$750.00 filing fee deposited by the Claimant. Respondent William Morgan is solely liable for and shall reimburse Claimant said \$750.00;
- b. Respondent First Affiliated Securities, Inc. is solely liable for forum fees in the amount of \$3,000.00, to be paid directly to the National Association of Securities Dealers, Inc.

PRESIDING ARBITRATORS

Irving Pfeffer

DATE SERVED: January 23, 1990

  
Marcus Eugene Gracia

Edward Sanborn IV

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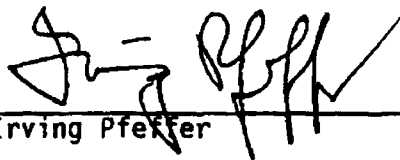
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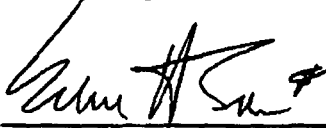
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