

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between)	
WILLIAM H. PYLE)	
)	
Claimant)	
and)	Case No. 89-01641
)	
SECURITIES U.S.A., INC., DAVID WILLIAMS,)	
JOEL BRODY, SCOTT CAROTHERS,)	
DEBORAH L. HOOTMAN, AND E.B. WILLIAMSON)	
& CO., INC.)	
)	
Respondents)	

CASE SUMMARY

William H. Pyle ("Claimant") alleged as follows:

1. David Williams ("Williams") and Joel Brody ("Brody") registered representatives of Securities U.S.A., Inc. ("Securities U.S.A.") formerly known as Dunhill Investments, Ltd. recommended to the Claimant the purchase of unsuitable securities. Williams recommended the purchase of Trinity Towne Investments Limited ("Trinity"), Vitro Diagnostics, Inc. ("Vitro"), Video Data, Inc., and Multiple Equity Investments Corp. (collectively referred to herein as the "investments"). Brody recommended to the Claimant the purchase of Trinity;
2. Williams and Brody failed to tell the Claimant about certain material facts regarding the investments including the fact that Trinity was a blind pool, that each of the investments were speculative penny stocks in which the Claimant could lose his principal, the amount of the excessive markups on the stock, and other risk factors.
3. Brody and Williams misrepresented the expected returns on the investments and that the investments were excellent or "sure things";
4. Williams made an unauthorized purchase of 100,000 shares of Vitro on or about March 10, 1989;
5. Claimant had to borrow almost \$100,000 from his Merrill Lynch municipal bond fund to purchase the investments;

6. Claimant's shares in Trinity were improperly liquidated to pay for the unauthorized purchase in Vitro thereby causing a loss in Trinity of approximately \$91,000. In addition Claimant's shares in Vitro were also improperly liquidated to help pay for the purchase of the unauthorized shares;

7. Scott Carothers ("Carothers") was the chief financial officer and/or Vice President and Director of Securities U.S.A.. Deborah L. Hootman ("Hootman") was chief compliance officer and/or Vice President, Secretary/Treasurer, and a Director of Securities U.S.A.;

8. Carothers and Hootman failed to properly supervise Williams and Brody with regard to the Claimant's account and take the appropriate actions when they became aware of the improper conduct of the two registered representatives; and

9. E.B. Williamson & Co., Inc. in or about March 1989 owned about 80% of the stock of Securities U.S.A. and is responsible for the losses that the Claimant has suffered as a control person.

Respondents denied all of the claims of the Claimant and further alleged:

1. That Brody and Williams disclosed the nature and risks involved in the investments;

2. Claimant did not rely on the statements of Brody and Williams;

3. Claimant assumed all of the risks regarding the transactions;

4. Neither Hootman or Carothers were not control persons as such is defined by law;

5. All of the investments were suitable for the Claimant given his investment objectives and financial condition;

6. None of the Respondents had any control on the amount of the commissions charged; and

7. Claimant authorized all transactions made in his account.

AWARD

On June 5, 1989 the NASD received the Claimant's claim. On June 13, 14 and 15, 1990 the undersigned arbitrators heard the controversy between the parties as set forth in the submissions to arbitration signed on June 1, 1989 by the Claimant, on November 2, 1989 by Deborah L. Hootman, and on July 31, 1989 by Scott Carothers. Williams and Brody both affirmed at the hearing that they were submitting this controversy to NASD arbitration. E.B. Williamson, Inc. failed to appear at the hearing through any representative. The hearing was held in Denver, Colorado in six (6) sessions.

The Claimant made a motion to dismiss E.B. Williamson ("Williamson") without prejudice based on the fact that Williamson had filed for bankruptcy prior to the hearing. The motion to dismiss was granted over the objection of the Respondents.

After the Claimant had rested his case in chief, Hootman, Carothers and Brody moved to dismiss the claims against them. The panel granted the motion to dismiss the claims against Carothers and Hootman over objection of the Claimant. The motion to dismiss the claims against Brody was denied.

Prior to commencement of the hearing, two other Respondents, Lance H. Jacobson and James Quigley entered into a stipulation for dismissal with prejudice with the Claimant and such stipulation was approved by the arbitrators on the record.

The arbitration panel, having considered the pleadings, the testimony, the briefs, and the evidence presented at the hearing, has decided in full and final resolution of the issues submitted for determination as follows:

1. The following Respondents shall be jointly and severally liable for and shall pay to the Claimant the specified portions of the total Two Hundred Thirty Six Thousand One Hundred Eighty Eight Dollars and Twenty-Five Cents (\$236,188.25) actual damage amount:

Securities U.S.A., Inc.	- \$236,188.25
E.B. Williamson & Co., Inc.	- \$236,188.25
David Williams	- \$211,523.25
Joel Brody	- \$ 16,665.00

(The total amount of actual damages which the Claimant is entitled is \$236,188.25 and any portion such of amount due the Claimant shall be reduced by any amount received by the Claimant from any of the Respondents.)

2. Securities U.S.A., Inc. shall be liable for and shall pay to the Claimant One Million Dollars (\$1,000,000) as punitive damages.
3. E.B. Williamson & Co., Inc. shall be liable for and shall pay to the Claimant One Million Dollars (\$1,000,000) as punitive damages.
4. David Williams shall be liable for and shall pay to the Claimant Two Hundred Eleven Thousand Five Hundred Twenty Three Dollars and Twenty-Five Cents (\$211,523.25) as punitive damages.
5. Joel Brody shall be liable for and shall pay to the Claimant Sixteen Thousand Six Hundred and Sixty Five Dollars and Zero Cents (\$16,665.00) as punitive damages.
6. The Respondents shall be jointly liable for and shall pay to the Claimant Twenty Thousand Dollars and no cents (\$20,000.00) for attorneys' fees and costs.
7. The panel hereby finds by clear and convincing evidence that Securities U.S.A., Inc., David Williams, Joel Brody, and E. B. Williamson & Co., Inc. have engaged in fraud and thereby damaged the Claimant in the amounts specified above..
8. Robert L. Druva dissents as to amounts awarded in paragraphs 4 and 5 above. However, Robert L. Druva would have assessed punitive damages against David Williams in the amount of \$105,761.63 and against Joel Brody in the amount of \$8,332.50.
9. Pursuant to Section 43(c) of the NASD Code of Arbitration the NASD shall refund the \$1,000 deposit to the Claimant and the Respondents are jointly and severally liable for and shall pay to the NASD \$6,000 as forum fees.

By the Panel

Dated: _____ /S/ _____

Dated: _____ /S/ _____

Robert L. Druva

Dated: August 16, 1990

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By the Panel

Dated: _____ /S/ _____

William F. Skewes, Esq.
Presiding Chair

Dated: Aug 16, 1990 /S/ Robert L. Druva
Robert L. Druva

Dated: _____ /S/ _____
William D. Nelson, Esq.

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Dated: August 17, 1990 /S/ William F. Skewes
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Presiding Chair

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