

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Virginia V. Halbert, Sondra L. Allen,
Gail Bishop, and David G. and Anne M. Pavelic

Case #89-02581
#89-02582
#89-02583
#89-02584

Name of Respondents

Shearson Lehman Hutton, Inc.
Richard Melzer, and
Richard Conway

REPRESENTATION

For Claimant: Denise Davis Schwartzman, Esq. of Greenfield & Chimicles and
Frank Lewis, Esq. of Langerman, Begam, Lewis & Marks.

For Respondents: Casey Baum, Esq. of Shearson Lehman Brothers, Inc.

CASE INFORMATION

Statement of Claim filed: September 15, 1989.

Claimant Virginia V. Halbert Submission Agreement signed on August 21, 1989.

Claimant Sondra L. Allen Submission Agreement signed on August 25, 1989.

Claimant Gail Bishop Submission Agreement signed on August 21, 1989.

Claimants David G. and Anne M. Pavelic Submission Agreement signed on August 21, 1989.

Statement of Answer filed by Respondents Shearson Lehman Hutton, Inc.,
Richard Conway and Richard A. Melzer on: February 9, 1990.

Respondents did not submit submission agreements; however, they did submit answers, motions and replies and were represented by Counsel at the hearings. Therefore, Pursuant to Section 12(a) of the Code of Arbitration Procedure, the presiding arbitrators exercised their jurisdiction over the Respondents.

HEARING INFORMATION

Hearing Dates/Sessions:	October 25, 1990	- triple session
	October 26, 1990	- double session
	November 24, 1990	- triple session
	November 25, 1990	- triple session
	November 26, 1990	- double session
	February 14, 1991	- double session
	February 15, 1991	- double session
	April 11, 1991	- triple session
	April 12, 1991	- triple session
	May 21, 1991	- double session
	May 22, 1991	- triple session
	July 18, 1991	- triple session
	July 19, 1991	- double session
	July 20, 1991	- double session
	August 6, 1991	- double session

Total Hearing Sessions = 37

Hearing Location: Philadelphia, Pennsylvania

CASE SUMMARY

In these four cases, which were consolidated for hearing purposes, Claimants held brokerage accounts with Respondent, Shearson Lehman Brothers, Inc., successor to Shearson Lehman Hutton, Inc. ("Shearson") at Shearson's office in Harrisburg, Pennsylvania. The claims against Shearson arise as a result of alleged misconduct of Richard A. Malzer ("Malzer"), a registered representative of Shearson who worked in the Harrisburg office, and of Richard Conway ("Conway") Vice President of Shearson and Branch Manager of the Harrisburg office.

Claimants alleged that Shearson, through its representative Malzer, solicited each Claimant to open an account with Shearson with assurances of profitability and safety, and by material misrepresentations and omissions with regard to the nature and risks in the securities trading program which Malzer recommended. Claimants alleged that the acts and omissions of Malzer, Conway and Shearson were intentional and reckless and effected to defraud Claimants. Claimants also alleged unauthorized and unsuitable trades, including option and margin trades, were conducted in all accounts. Claimants additionally alleged that Malzer caused or directed an excessive number of trades in Claimants' accounts to generate high commission income for Malzer and Shearson. Claimants alleged that Conway and Shearson failed to properly supervise Malzer and Claimants' accounts.

Claimants alleged that Respondents have engaged in a pattern of securities fraud which violated Section 1962(c) of the Racketeer Influenced Corrupt Organizations Act ("RICO") Title 18 U.S.C. Section 1961 et seq. Claimants alleged that Respondents' actions also violated the Securities Exchange Act of 1934 Title 15 U.S.C. Section 78aa, the rules of the New York Stock Exchange, the rules of the American Stock Exchange and the rules of the National Association of Securities Dealers. Further, Claimants alleged that such conduct violated the fiduciary duty owed to Claimants, and also violated the state law of fraud, deceit, negligence and breach of contract.

Respondents categorically denied all wrongdoing and specifically maintained that Melzer did not control the Claimants' accounts. Respondents maintained that no misrepresentations were made to encourage Claimants to open their accounts with Respondents. Respondents maintained that all investments, along with the risks associated with each investment, were discussed with the Claimants. Respondents maintained that the Claimants were sophisticated investors and that the trades were suitable in light of their investment needs and objectives. Respondents maintained that the Claimants' accounts were profitable with the exception of Claimant Sondra L. Allen. Respondents maintained that none of the Claimants' accounts were charmed. Respondents further maintained that at no time was there any intent to defraud the Claimants. Respondents maintained that all transactions in the Claimants accounts were authorized. Respondents maintained that trades were not made to generate commission but rather because the transactions met the Claimants objectives. Finally Respondents Shearson and Consey maintained that Respondent Melzer was properly supervised and that Claimants' accounts were not only properly handled but also properly supervised.

RELIEF REQUESTED

Claimants request rescission and/or compensatory damages, actual damages, punitive damages, treble damages, costs and attorneys fees. Respondents deny all wrongdoing and request an award in their favor.

AWARD

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award 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.

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- A. Claimants' requested relief under Title 18 U.S.C. Section 1961 et seq. "RICO" is DENIED.

- B. Claimants' requested relief for punitive damages and treble damages is DENIED.
- C. Claimants' requested relief for attorneys' fees and costs is DENIED.
- D. That Respondent Shearson is liable to and shall pay to Claimant Virginia V. Halbert the sum of Two Hundred Forty Five Thousand and 00/100 Dollars (\$245,000.00).
- E. That Respondent Shearson is liable to and shall pay to Claimant Sondra L. Allen the sum of Twenty Seven Thousand and 00/100 Dollars (\$27,000.00).
- F. That Respondent Shearson is liable to and shall pay to Claimant Gail Bishop the sum of Twenty Eighty Thousand and 00/100 Dollars (\$28,000.00).
- G. That all claims made by Claimants David G. and Anne M. Pavelic against Respondent Shearson are denied in their entirety.
- H. That Respondent Richard A. Melzer is liable to and shall pay to Claimant Virginia V. Halbert the sum of Five Hundred Ten Thousand 00/100 Dollars (\$510,000.00).
- I. That Respondent Richard A. Melzer is liable to and shall pay to Claimant Sondra L. Allen the sum of Fifty Nine Thousand 00/100 Dollars (\$59,000.00).
- J. That Respondent Richard A. Melzer is liable to and shall pay to Claimant Gail Bishop the sum of Thirty Five Thousand 00/100 Dollars (\$35,000.00).
- K. That Claimants David G. and Anne M. Pavelic claims against Respondent Richard A. Melzer are denied in their entirety.
- L. That Respondent Richard Conway is liable to and shall pay to Claimant Virginia V. Halbert the sum of One Hundred Sixty Three Thousand 00/100 Dollars (\$163,000.00).
- M. That Respondent Richard Conway is liable to and shall pay to Claimant Sondra L. Allen the sum of Twenty Three Thousand 00/100 Dollars (\$23,000.00).
- N. That Respondent Richard Conway is liable to and shall pay to Claimant Gail Bishop the sum of Fourteen Thousand 00/100 Dollars (\$14,000.00).
- O. That Claimants David G. and Anne M. Pavelic claims against Respondent Richard Conway are denied in their entirety.

All of the above stated sums are inclusive of interest until the date of

Page 5.

Award #89-02581-84

this award, and shall thereafter, until paid, bear simple interest at the rate of 12% per annum.

P. All other motions, claims, cross-claims and counter-claims are DENIED.


FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

Filing Fees and all interim fee deposits previously made by Claimants and Respondents shall be retained by the National Association of Securities Dealers, Inc. * Respondent shall pay additional forum fees in the amount of Twenty Two Thousand and 00/100 Dollars (\$22,000.00).

Fees are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures:


Michael Quarto
Industry Arbitrator

* SHEARSON LEHMAN HUTTON

Dated: September 25, 1991

Page 5.

Award #89-02581-84

this award, and shall thereafter, until paid, bear simple interest at the rate of 12% per annum.

P. All other motions, claims, cross-claims and counter-claims are DENIED.

FORUM FEES

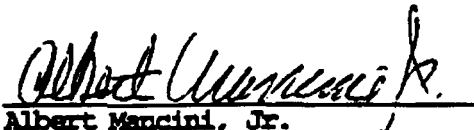
Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

Filing Fees and all interim fee deposits previously made by Claimants and Respondents shall be retained by the National Association of Securities Dealers, Inc. Respondent shall pay additional forum fees in the amount of Twenty Two Thousand and 00/100 Dollars (\$22,000.00).

Fees are payable to the National Association of Securities Dealers, Inc.

SHEIKSON

Concurring Arbitrators' Signatures:



Albert Mancini, Jr.
Public Arbitrator

Dated: September 25, 1991

Page 5.

Award #89-02581-84

this award, and shall thereafter, until paid, bear simple interest at the rate of 12% per annum.

P. All other motions, claims, cross-claims and counter-claims are DENIED.


FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

Filing Fees and all interim fee deposits previously made by Claimants and Respondents shall be retained by the National Association of Securities Dealers, Inc. Respondent shall pay additional forum fees in the amount of Twenty Two Thousand and 00/100 Dollars (\$22,000.00).

Fees are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrators' Signatures:


Donald L. Bruton
Public Arbitrator

Dated: September 25, 1991