

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Among

Rajinder Bhatia and Neena Grewal

Claimants

vs.

Case #89-02965
Award

Prudential-Bache Securities, Inc. and
Edward Puttick

Respondents

CASE SUMMARY

Claimants, Rajinder Bhatia and Neena Grewal, alleged Respondent, Edward Puttick, recommended and purchased three (3) investments in MFS Government Securities High Yield Trust, Fox Capital Corporation Growth Hotel Investors II and VMS Mortgage Investors II. Claimants stated Edward Puttick represented these investments were of little or no risk. Claimants averred the value of the account declined and Mr. Puttick stated that dividend payments from VMS had caused the price to decline but there was nothing to worry about. Claimants stated this pattern repeated itself throughout the next year. Still concerned, Claimants contacted MFS directly and learned this was not an investment intended for investors concerned about risk. Finally, Claimants believe they have been defrauded by Prudential-Bache Securities, Inc. and Edward Puttick.

Respondents maintained Rajinder Bhatia advised Edward Puttick she had ten (10) years of trading experience and wanted to maximize her income. Respondents stated Edward Puttick advised Claimants their investments in MFS Government Securities High Yield Trust, Fox Capital Corporation Growth Hotel Investors II and VMS Mortgage Investors II were designed to produce a higher yield than CDs or money market investments and that with the potential of higher income came higher risk. Respondents averred Claimants received prospectuses for each investment and the prospectuses contained a listing of risk factors. Respondents contended the Claimants signed an Investor Information Form which warranted they had read the list of risk factors contained in each prospectus. Finally, Respondents stated Claimants' investments were made with their full understanding of the risk factors.

RELIEF REQUESTED

Claimants, Rajinder Bhatia and Neena Grewal requested actual damages in the amount of \$37,000.00, plus interest.

Respondents, Prudential-Bache Securities, Inc. and Edward Puttick, requested the panel dismiss this case in its entirety and assess costs against the Claimants.

AWARD

On October 30, 1990 and December 11, 1990, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by the Claimants, Rajinder Bhatia and Neena Grewal, on September 23, 1989 and by the Respondents, Prudential-Bache Securities, Inc. and Edward Puttick, on October 30, 1990. The hearings were held in New York City and consisted of four (4) sessions. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearings, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents, Prudential-Bache Securities, Inc. and Edward Puttick are hereby liable, jointly and severally, and shall pay to the Claimants, Rajinder Bhatia and Neena Grewal, the sum of \$30,000.00;
2. Claimants shall deliver their interests in the Fox Capital Corporation Growth Hotel Investors II to Respondents, Prudential-Bache Securities, Inc. and Edward Puttick;
3. The parties shall each bear their respective costs, including attorneys' fees;
4. Pursuant to Section 43, 44 or 45 of the Code of Arbitration Procedure, the NASD, Inc. shall retain the \$400.00 filing fee previously deposited by the Claimant;
5. Respondents are assessed forum fees, jointly and severally, in the amount of \$1,320.00 payable to the NASD, Inc. through its staff counsel in accordance with Section 43, 44 or 45 of the Code of Arbitration Procedure. Respondents shall also reimburse the \$400.00 filing fee to the Claimants.

ARBITRATORS CONCURRING

/s/
Theodore Kimelman

/s/
Robert Seamen

/s/
Roger Brandwein

January 28, 1991