

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

: In the Matter of the Arbitration Between :
: :
: Sheafen Frank Kuo :
: Tina C. Kuo :
: Claimants : CASE# 89-03358
: vs. :
: :
: Security Pacific Brokers, Inc. :
: :
: Respondent :

Heard before:

Martin Fogelman, Esq.	Public Arbitrator
Henry H. Balter	Public Arbitrator
Joseph E. DaGrosa	Industry Arbitrator

CASE SUMMARY

Claimants alleged Respondents mishandled certain LTV Corp. transactions and secretly created and closed a short position therein. They further alleged that after discovering that their short position was canceled, their attempts to investigate were met with a cover up and improper management of the situation, and that Respondent Security Pacific Brokers, Inc. failed properly to investigate their grievances. Claimants assert that the wrongfully treated transaction caused a margin call requiring sale of Bethlehem Steel at depressed prices during the market crash of 1987. Additionally, it is alleged that a requested transfer of their account took an excessive amount of time, during which they were improperly denied access to the market. Claimants also sought punitive damages because of said Respondents' egregious conduct.

Respondents contend that Claimants could not enter limit orders and play the market with an unresolved margin call in a volatile market, and that Respondents conduct throughout was proper, reasonable and lawful. They further allege that Claimants suffered no unreimbursed losses due to any conduct of Respondents. Respondents contend that the firm had the right to change margin requirements as it did, and that any loss due to delay in the transfer of Claimants account was not due to Respondent Security Pacific Brokers, Inc. The said Respondent also counterclaims for damages in the amount of its attorney's fees and costs resulting from Claimant's allegedly improper commencement of a Federal Court action, in violation of their arbitration agreement.

RELIEF REQUESTED

Claimants requested compensatory and punitive damages in the sum of \$495,000.00 plus such other and further relief as the arbitrators may deem proper and a dismissal of the counterclaim.

Respondent requested dismissal of all claims and that the costs and fees of the arbitration be assessed against the Claimants. Respondents further requested that the arbitrators enter an award against Claimants on the counterclaim, for the amount of the attorneys' fees and disbursements incurred by Respondent in defending the Federal Court action.

AWARD

On October 18, 1990 and December 19, 1990 the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants Sheafen Frank Kuo and Tina C. Kuo on November 10, 1989 and by Respondent Security Pacific Brokers, Inc. on April 13, 1990. The hearing was conducted at the offices of the National Association of Securities Dealers, Inc. located in New York City, NY and consisted of four (4) hearing sessions. 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. Award in favor of Claimants against Respondent Security Pacific Brokers, Inc. in the sum of \$22,000.00, plus \$8,250.00 interest from October 25, 1987 through December 25, 1990, interest to accrue at 9% from December 26, 1990 until payment is made, representing the following items: Credit balance owing to Claimants as to the LTV matter; denial of market - and the consequences thereof - to Claimants when they tried to cover their open position in Bethlehem Steel calls; unreasonable liquidation of margin calls; and not allowing Claimants to enter their own orders.
2. The counterclaim be and hereby is dismissed in all respects.
3. The parties shall each bear their respective costs, including attorneys' fees.

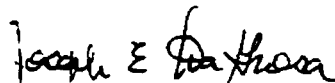
FORUM FEES

Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the \$750.00 filing fee previously deposited by the Claimants. In addition, the Respondent Security Pacific Brokers, Inc. be and hereby is liable and shall pay to the National Association of Securities Dealers, Inc. the sum of Two Thousand Four Hundred Fifty Dollars and No Cents (\$2,450.00) to represent forum fees.

ARBITRATORS SIGNATURES


Martin Fogelman, Esq.


Henry H. Balter


Joseph E. DaGrosa

Date of Decision: February 26, 1991