



N.A.S.D. AWARD

Arbitration

National Association of
Securities Dealers, Inc.
NASD Financial Center
33 Whitehall Street
New York, New York 10004

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Hoffer Flow Controls, Inc. Pension
and Profit Sharing Trusts

vs

Case #
89-03429
AWARD

Name of Respondents

Shearson Lehman Hutton, Inc.
J. Palmer Patton
Amy Shui

CASE SUMMARY

Claimant, Hoffer Flow Controls, Inc. Pension and Profit Sharing Trusts, alleges that Respondent, Amy Shui, churned its ERISA accounts by making three hundred and eighty (380) transactions over a twenty-month period. Claimant further alleges that substantial margin indebtedness were incurred in the accounts which generated non-deductable interest expense. Claimant contends that Respondents engaged in unauthorized and unsuitable trading. Claimant also contends that Respondents, Shearson Lehman Hutton, Inc. and J. Palmer Patton failed to supervise Ms. Shui in accordance with the rules and regulations of the NASD and the New York Stock Exchange, and are liable under applicable federal and state law and Section 20 of the Securities and Exchange Act of 1934.

Respondents deny the allegations of churning, unauthorized and unsuitable trades and assert eleven affirmative defenses. Respondents contend that the Claimant had sustained losses as a result of the Black Monday and agreed to engage in short-term trades, which were profitable, in order to recoup losses. Respondent maintains that the losses sustained in the accounts were due largely to unanticipated economic or political events.

RELIEF REQUESTED

Claimant requests that the arbitration panel award it \$70,000.00 in compensatory damages, interest, punitive damages, costs and attorney's fees. Respondents request that the claim be denied in its entirety and that the panel award them costs for their defense.

AWARD

On September 24, 1990, and November 29, 1990, said dates representing four (4) sessions for this hearing which was conducted in New York, New York, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by the Claimant on December 1, 1989, and by Respondents on March, 1990, March 8, 1990, and March 9, 1990, respectively. The Statement of Claim was filed with the National Association of Securities Dealers, Inc. on December 7, 1989. 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. Respondents, Shearson Lehman Hutton, Inc. and Amy Shui, are hereby jointly and severally liable to the Claimant in the amount of Thirty Nine Thousand Six Hundred Dollars and Zero Cent (\$39,600);

2. No interest is awarded on the above sum;

3. All claims asserted against J. Palmer Patton are dismissed in their entirety;

4. The claim for punitive damages is denied;

5. The parties shall each bear their respective costs, including attorney's fees;

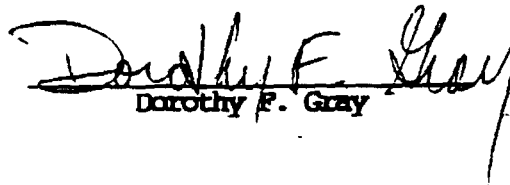
6. Forum fees for four hearing sessions in the amount of \$2000.00 (\$500.00 X 4) have been assessed and shall be divided equally between the parties as indicated below;

7. Pursuant to Section 43 of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the \$500.00 deposit made by the Claimant and it shall be credited to any amount assessed against the Claimant. Claimant is assessed \$1,000.00 in forum fees and is further assessed a non-refundable filing fee of \$150.00. Therefore, Claimant shall remit \$650.00 made payable to the NASD, Inc.;

8. Respondent, Shearson Lehman Hutton, Inc., is assessed forum fees in the amount of \$1000.00 which shall be made payable to the NASD, Inc.

ARBITRATOR CONCURRING

ATED BY NASD
DECEMBER 19, 1990

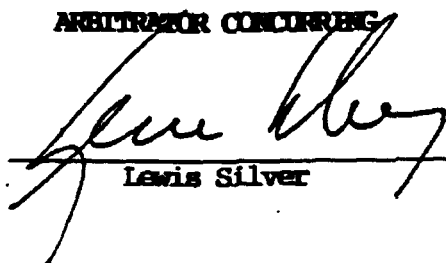

Dorothy F. Gray

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ARBITRATOR CONCURRING


Lewis Silver

DATED BY NASD
DECEMBER 19, 1990

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ARBITRATOR CONCURRING


William Friedman

DATED BY NASD
DECEMBER 19, 1990