

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

: In the Matter of the Arbitration Between :
: :
: Raymond W. Pawley :
: Claimant : CASE# 90-01118
: vs. :
: : AWARD
: The Stuart-James Co., Inc. :
: Edgel Groves :
: Respondents :

Heard before:

James G. Killough	Public Arbitrator
Ellwood F. Oakley, III	Public Arbitrator
Chris S. Guerin	Industry Arbitrator

CASE SUMMARY -

In a claim filed with the National Association of Securities Dealers, Inc. on April 4, 1990 Claimant Raymond W. Pawley alleged the Respondents made various misrepresentations of material facts to the Claimant and omitted to state material facts and the Claimant relied on these to his detriment. The Claimant further alleged the Respondents breached the fiduciary duty owed the Claimant and placed him in investments that were unsuitable for him and did not exercise utmost diligence in investing the funds to which the Claimant entrusted it and the Claimant never received a prospectus or other written information regarding any of the stocks offered to him by Respondents prior to his purchase of the particular stock. Claimant further alleged the Respondents failed to seek or receive Claimant's prior authorization before making the purchase and sale of securities and engaged in the practice of "cross trading". The Respondent The Stuart-James Co., Inc. maintained that no trade was ever made without the Claimant's consent and many trades were unsolicited. The Respondent The Stuart-James Co., Inc. further maintained the Claimant received numerous prospectus which described in great detail numerous risk factors involved in the purchase of the respective securities. Respondent The Stuart-James Co., Inc. further maintained that all purchases were authorized, confirmed and promptly paid for and no breach of contract occurred and that all the losses incurred by the Claimant were due to his impulsive selling of his entire portfolio. Respondent The Stuart-James Co., Inc. further maintained that no misrepresentations or omissions were made and denied that a breach of fiduciary duty occurred and further maintained Claimant's allegation of "cross trading" is unfounded. Respondent Edgel Groves maintained he made full and adequate disclosure to the Claimant as to each and every investment made by the Claimant and each and every transaction was authorized by the Claimant. The Respondent Edgel

Groves further maintained the Claimant received full and complete information and a prospectus when required by law on all investments and any losses realized by Claimant resulted from unforeseeable factors over which Respondent had no control. Respondent Edgel Groves further maintained he at no time engaged in any account crossing or abusive sales practices and he never made any misrepresentations or omitted to state a material fact. Respondent Edgel Groves further maintained he analyzed Claimant's suitability based on his financial status, prior investment experience and investment objectives and the Claimant gave every indication of fully understanding the associated risks. The Respondent Edgel Groves asserted a counterclaim against the Claimant alleging the Claimant has repeatedly and willfully made false, malicious and intentionally defamatory remarks about him and has threatened to do physical harm to him and further alleged his claims are frivolous and wholly unfounded and have caused the Respondent to incur substantial expenses in defending the action. In response to the counterclaim, the Claimant maintained the counterclaims are not related to the claims set forth in Claimant's Statement of Claim and as a result, are not subject to arbitration and further denied each and every allegation of the counterclaim.

RELIEF REQUESTED

Claimant requested damages of \$47,356.48, plus prejudgment interest, reasonable attorneys' fees, punitive damages of \$150,000.00, arbitration costs and post judgement interest as provided by law and such other relief as the arbitrators deem just and proper and a dismissal of Respondent Edgel Grove's counterclaim. Respondent The Stuart-James Co., Inc. requested dismissal of claim. Respondent Edgel Groves requested dismissal of claim and an award on his counterclaim.

AWARD

On December 19, 1990 and February 15 and 20, 1991 the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimant Raymond W. Pawley on April 12, 1990, by Respondent The Stuart-James Co., Inc. on June 5, 1990 and by Respondent Edgel Groves on June 12, 1990. The hearings were conducted in Atlanta, GA and consisted of five (5) 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:

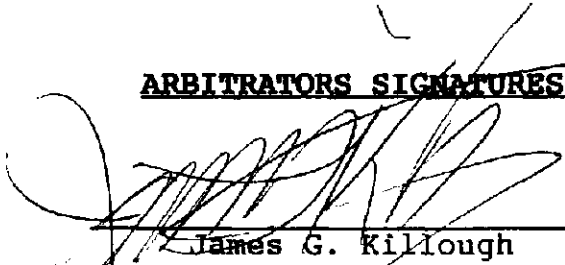
1. The Respondents The Stuart-James Co., Inc. and Edgel Groves be and hereby are liable and shall pay to the Claimant Raymond W. Pawley the sum of Thirty Thousand Dollars and No Cents (\$30,000.00), inclusive of interest to be assessed against the Respondents as follows:
 - a) The Respondent The Stuart James Co., Inc. be and hereby is liable and shall pay to the Claimant Raymond W. Pawley the sum of Thirty Thousand Dollars and No Cents (\$30,000.00); and
 - b) The Respondent Edgel Groves be and hereby is liable and shall pay to the Claimant Raymond W. Pawley the sum of Ten Thousand Dollars and No Cents (\$10,000.00); and
 - c) The liability of the Respondents The Stuart James Co., Inc. and Edgel Groves is joint and several to the extent of the \$10,000.00 award against Edgel Groves and the maximum amount that Claimant is entitled to recover is \$30,000.00, inclusive of interest and the total maximum liability for which Respondent Edgel Groves can be responsible is \$10,000.00.
2. All other claims and counterclaims be and hereby are 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 Claimant and the Respondent The Stuart-James Co., Inc. be and hereby is liable and shall pay to the Claimant the sum of \$500.00 to reimburse him

for the filing fee and the Respondent Edgel Groves be and hereby is liable and shall pay to the Claimant the sum of \$250.00 to reimburse him for the filing fee. In addition, the Respondent The Stuart-James Co., Inc. be and hereby is liable and shall pay to the National Association of Securities Dealers, Inc. the sum of Two Thousand One Hundred Thirty Five Dollars and No Cents (\$2,135.00) to represent forum fees and the Respondent Edgel Groves be and hereby is liable and shall pay to the National Association of Securities Dealers, Inc. the sum of One Thousand Sixty Five Dollars and No Cents (\$1,065.00) to represent forum fees.

ARBITRATORS SIGNATURES



James G. Killough



Ellwood F. Oakley



Chris S. Guerin

Date of Decision:

June 28, 1991