

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

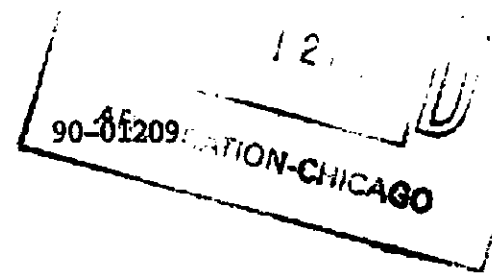
Linda H. Loughridge

Claimant

and

F. Stephen Allen
Kidder Peabody & Company, Inc.
PaineWebber, Inc.

Respondents



CASE SUMMARY

In a Statement of Claim filed with the National Association of Securities Dealers, Inc. ("NASD") on April 30, 1990, Claimant Linda H. Loughridge alleged that Respondent F. Stephen Allen, while acting as an agent of or employed by Respondents Kidder Peabody & Company, Inc. and PaineWebber, Inc., engaged in the following acts:

1. Made numerous material false representations about the status and financial condition of the Sooner Federal Savings and Loan Association ("Sooner Federal") and the value of and market for Sooner Federal common stock to Claimant and her husband, Dr. B.P. Loughridge;
2. Continued to make numerous misrepresentations regarding the status and financial condition of Sooner Federal and its stock in order to induce Claimant to continue to hold the stock and to purchase additional shares; and,
3. Failed to execute a sell order and then misrepresented the status of the order to induce the Claimant to wait for Respondent to sell.

Furthermore, Claimant alleged that the market price of Sooner Federal Stock was being manipulated and controlled by Respondents PaineWebber and Allen, as well as others, in an effort to "squeeze" short sellers of the stock in order to artificially inflate and maintain the price of the stock for Respondent's benefit, and therefore, refused to sell Claimant's stock. Based upon the above allegations, Claimant claims violations of the Federal and Oklahoma securities law relating to securities fraud, negligence and breach of fiduciary duty, common law fraud and breach of oral contract.

In a Statement of Answer filed with the NASD on June 20, 1990, Respondent F. Stephen Allen denied the material allegations of the Statement of Claim, stating that no false representations were made to Claimant and

that Claimant instructed him to sell 10,000 shares of stock if he could do so without hurting the market. In addition, Respondent Allen alleged the following affirmative defenses:

1. The Statement of Claim should be dismissed because it has not been brought in the name of the real party in interest, Dr. B.P. Loughridge, the Claimant's husband, the source of the investment monies and the maker of all investment decisions;
2. Claimant is precluded from asserting her claim in view of her material breach of contract by commencing the action in the Oklahoma District Court;
3. The Statement of Claim failed to state a claim upon which relief can be granted;
4. Claimant assumed the risk of and by her conduct contributed to any loss suffered as a result of her investment;
5. Claimant waived and is estopped from asserting a claim because she failed to exercise due diligence in monitoring her investment;
6. Claimant was guilty of contributory negligence in connection with handling the sale of the stock;
7. Claimant failed to timely and/or adequately mitigate damages;
8. The claim is barred, in part, by the applicable statutes of limitation.

Respondent F. Stephen Allen counterclaimed against Claimant alleging that Claimant violated and breached the Customer's Agreement by Claimant's filing this action originally in the District Court of Tulsa County, Oklahoma.

In a Statement of Answer filed with the NASD on June 20, 1990, Respondent PaineWebber denied the allegations of the Statement of Claim, asserting as affirmative defenses that:

1. Claimant's claims are barred by laches, waiver, estoppel, ratification and the Statute of Limitations;
2. Any damages claimed by Claimant were not proximately caused by any acts or omissions of PaineWebber;
3. The alleged misrepresentations were not material;
4. Claimant's reliance upon the alleged misrepresentations was not justifiable;
5. Claimant failed to mitigate her damages;
6. Claimant's claim is barred by contributory negligence;

7. PaineWebber did not know, and in the exercise of reasonable care could not have known, of the truth or untruth of the statements alleged to have been made to Claimant;
8. PaineWebber adequately supervised Allen and took appropriate steps to prevent employees from violating federal and state securities laws;
9. Any oral agreements between Claimant and Allen are barred by the statute of frauds;
10. PaineWebber and Claimant are not in a fiduciary relationship, or alternatively, PaineWebber did not breach the duty;
11. PaineWebber is not liable for any acts or omissions of Kidder;
12. Dr. Loughridge was a sophisticated investor who was capable of managing his own investments and who did, in fact, make his own independent investment decisions with regard to Claimant's account;
13. PaineWebber is not liable for acts or omissions of Allen prior to his employment in March of 1988;
14. The alleged acts of Allen, if committed, were outside the scope of his employment and without apparent authority.

In a Statement of Answer filed with the NASD on June 4, 1990, Respondent Kidder Peabody & Co., Inc. denied all material allegations of the Statement of Claim, alleging as affirmative defenses the following:

1. Claimant and her agent husband are guilty of "unclean hands" by knowingly participating in a scheme whereby they were trading on inside information;
2. Claimant is guilty of a lack of due diligence in the handling or investigation of the representations made;
3. The claim is barred by the doctrines of waiver, laches, estoppel and ratification.

In a Reply to the Counterclaim of F. Stephen Allen filed on August 13, 1990, Claimant Linda H. Loughridge denied entering into a customer account agreement with PaineWebber, and therefore filed the Petition in state court. Claimant further denied owing any damages pursuant to the counterclaim, stating as follows:

1. The counterclaim failed to state a claim upon which relief can be granted;
2. The panel is without jurisdiction to adjudicate any request for legal fees and expenses incurred in a State Court action in Oklahoma;

3. Allen is not legally entitled to the recovery of attorney's fees;
4. Allen did not incur any legal fees or expenses, as Claimant alleges that Allen's attorney's fees and expenses in the state court action were secretly funded by PaineWebber.

RELIEF REQUESTED

Claimant requested entry of an award against Respondents in the amount of \$396,841.31 plus interest, attorney's fees and costs. In addition, Claimant requests that Respondent Allen's counterclaim be denied and that she be awarded her fees and expenses.

Respondents F. Stephen Allen, PaineWebber, Inc. and Kidder Peabody & Co. requested that the Statement of Claim be dismissed and denied in its entirety. In addition, Respondents F. Stephen Allen and Kidder Peabody & Co. requested entry of an award against Claimant Linda H. Loughridge for attorney's fees and costs incurred by them respectively.

OTHER ISSUES

At the hearing on April 29, 1991, Claimant's counsel informed the panel of arbitrators that Claimant had settled her claim against Respondent Kidder Peabody & Co. and that Claimant would proceed against the two remaining Respondents, F. Stephen Allen and PaineWebber, Inc.

Pre-hearing briefs were submitted to the panel of arbitrators by all parties at the opening day of hearing.

PROCEDURAL MATTERS

On April 29 and 30, 1991 in Oklahoma City, Oklahoma during a hearing lasting a total of nine (9) sessions, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed on April 16, 1990 by Claimant Linda H. Loughridge, on May 31, 1990 by Sheila A. Chewin on behalf of Respondent Kidder Peabody & Co., and on June 20, 1990 by Respondent F. Stephen Allen.

Respondent PaineWebber, Inc. did not file with the NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant to Section 12 of the NASD Code of Arbitration Procedure and having answered the claim, appeared and testified through representatives at the hearing, is bound by the determination of the arbitration panel on all issues submitted.

The parties have agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD.

AWARD

The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has decided in full and final resolution of the issues submitted for determination as follows:

1. The claims asserted against Respondents PaineWebber and Allen by Claimant shall be and are hereby denied and dismissed in their entirety;

2. Allen's counterclaim asserted against Claimant shall be and is hereby denied and dismissed in its entirety;

3. The parties shall each bear their own costs, expenses and attorney's fees incurred in this matter; and

4. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the claim filing fee of \$200.00 and the hearing session deposit in the amount of \$750.00 previously deposited with the NASD by the Claimant Linda H. Loughridge. Respondents PaineWebber and Allen are jointly and severally assessed and shall pay forum fees to the NASD in the sum of \$3000.00. Claimant is assessed additional forum fees of \$3000.00 which are payable to the NASD.

Dated:

8/8/91



Irving L. Faught, Esq.
Presiding Chair
Public Arbitrator

Kelley L. Cornelius, Esq.
Public Arbitrator

Roy V. Montgomery, Jr.
Industry Arbitrator

Date Served by NASD: _____

AWARD

The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has decided in full and final resolution of the issues submitted for determination as follows:

1. The claims asserted against Respondents PaineWebber and Allen by Claimant shall be and are hereby denied and dismissed in their entirety;
2. Allen's counterclaim asserted against Claimant shall be and is hereby denied and dismissed in its entirety;
3. The parties shall each bear their own costs, expenses and attorney's fees incurred in this matter; and
4. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the claim filing fee of \$200.00 and the hearing session deposit in the amount of \$750.00 previously deposited with the NASD by the Claimant Linda H. Loughridge. Respondents PaineWebber and Allen are jointly and severally assessed and shall pay forum fees to the NASD in the sum of \$3000.00. Claimant is assessed additional forum fees of \$3000.00 which are payable to the NASD.

Dated:

8/8/91

Irving L. Faught, Esq.
Presiding Chair
Public Arbitrator



Kelley L. Cornelius, Esq.
Public Arbitrator

Roy V. Montgomery, Jr.
Industry Arbitrator

Date Served by NASD: _____

AWARD

The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has decided in full and final resolution of the issues submitted for determination as follows:

1. The claims asserted against Respondents PaineWebber and Allen by Claimant shall be and are hereby denied and dismissed in their entirety;
2. Allen's counterclaim asserted against Claimant shall be and is hereby denied and dismissed in its entirety;
3. The parties shall each bear their own costs, expenses and attorney's fees incurred in this matter; and
4. Pursuant to Section 43(c) of the Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. shall retain the claim filing fee of \$200.00 and the hearing session deposit in the amount of \$750.00 previously deposited with the NASD by the Claimant Linda H. Loughridge. Respondents PaineWebber and Allen are jointly and severally assessed and shall pay forum fees to the NASD in the sum of \$3000.00. Claimant is assessed additional forum fees of \$3000.00 which are payable to the NASD.

Dated:

Irving L. Faught, Esq.
Presiding Chair
Public Arbitrator

Kelley L. Cornelius, Esq.
Public Arbitrator

8/7/91

Roy V. Montgomery, Jr.
Industry Arbitrator

Date Served by NASD: _____