

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Among

Lorenzo Morello
Julie Morello

Claimants

vs.

AWARD
#90-01977

Prudential Securities, Inc.
Christopher F. Roach

Respondents

Heard Before:

Joseph R. Papo	Industry Arbitrator
Ralph J. Sirlin	Public Arbitrator
Edward C. Pedersen	Public Arbitrator

REPRESENTATION

Claimants, Lorenzo and Julie Morello ("Morellos"), were represented by Anthony V. Trogan of Weisman, Trogan et al. Respondents, Prudential Securities, Inc. ("PSI") and Christopher F. Roach ("Roach"), were represented by Herbert J. Marek of Prudential Securities, Inc.

CASE SUMMARY

Claimants alleged they were inexperienced in securities trading and expressed their concerns regarding risk to Respondents at several different times. Claimants stated Respondents assured them their equity would be adequately protected against loss. Claimants stated Respondents presented a "Joint Account Agreement", "Customer Agreement" and "Options Agreement" as "standard forms" necessary for the opening of the account and which did not require review or explanation. Claimants stated they relied on Respondents' representations and executed these instruments without review or explanation. Claimant, Lorenzo Morello, averred that at Respondents' urging he signed his wife's name to the forms. Claimants asserted Respondents failed to disclose the inherent risks in options trading and engaged in highly speculative options index trading. Claimants also stated Respondents obtained Claimants' agreement to purchase an interest in JHM Mortgage Securities, Ltd. on the basis that it was a "Triple A Rated" security. Claimants alleged this was not true.

Finally, Claimants alleged Respondents engaged in unauthorized trading, misled Claimants concerning the excessive trading and knowingly made material misrepresentation to Claimants.

Respondents maintained that Claimant, Lorenzo Morello, was a sophisticated, experienced investor. They also stated Claimants thoroughly discussed and initiated an investment strategy with Roach that would allow Claimants to obtain a potentially higher income from their portfolio; were specifically informed about the risks associated with options trading, reviewed, approved and/or signed all documents after the risk/reward strategy was explained to them; were continuously apprised of and ratified the activities being generated in their account by the account statements and confirms which were continuously forward to them; and were aware of, authorized and approved the options trading in their account, which was entirely consistent with their investment objectives..

RELIEF REQUESTED

Claimants, Morellos, requested actual damages in the amount of \$50,000.00, rescission of all transactions, exemplary damages, punitive damages and a return of all funds, interest, costs, expenses and attorneys' fees.

Respondents, PSI and Roach, requested the Statement of Claim be dismissed in its entirety with prejudice.

AWARD

On March 25, 1991, the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by the Claimants, Morellos, on July 11, 1990 and by the Respondents, PSI and Roach, on March 6, 1991 and March 25, 1991, respectively. Roach's submission agreement was not notarized, however, he attended these proceedings voluntarily. The hearing was held in Southfield, MI and consisted of 2 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- Pursuant to the by-laws of the NASD, Inc. it was determined that Respondent, Roach, was required to submit to this arbitration and, therefore, is bound by this panel's rulings and determinations;
- 2- Respondents, PSI and Roach, hereby are liable, jointly and severally, and shall pay to the Claimants, Morellos, the amount of \$58,500.00;
- 3- All claims for punitive and exemplary damages are dismissed;
- 4- The parties shall each bear their respective costs, including

attorneys' fees;

5- Pursuant to Section 43 of the Code of Arbitration Procedure, the NASD, Inc. shall retain the non-refundable \$150.00 filing fee previously deposited by Claimants;

6- Respondents, PSI and Roach, are assessed forum fees, jointly and severally, in the amount of \$1,000.00 payable to the NASD, Inc. in accordance with Section 43 of the Code of Arbitration Procedure. In addition, Respondents, PSI and Roach, are to reimburse, jointly and severally, Claimants the \$150.00 non-refundable filing fee paid to the NASD, Inc.

ARBITRATOR SIGNATURE

_____/s/
Joseph R. Papo

_____/s/
Ralph J. Sirlin

_____/s/
Edward C. Pedersen

May 17, 1991