

## NATIONAL ASSOCIATION OF SECURITIES DEALERS

National Association of  
Securities Dealers, Inc.  
NASD Financial Center  
33 Whitehall Street  
New York, N.Y. 10004  
FAX (212) 858-4389

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In the Matter of the Arbitration BetweenName of Claimant

Sandra Lee Woodall

90-02396

Name of Respondents

PaineWebber, Inc.  
Roney & Co.  
George Brander

REPRESENTATION

For Claimant Sandra Lee Woodall ("Claimant"): Francis C. Flood and James C. Steffl of Kemp, Klein, Umphrey & Endelman, P.C.

For Respondent PaineWebber, Inc ("PaineWebber"): Joseph A. Vallo, Divisional Vice President, Litigation Counsel PaineWebber, Inc.

For Respondents Roney & Co. ("Roney") and George Brander ("Brander"): E. Powell Miller of the Law Offices of Honigman Miller Schwartz and Cohn

CASE INFORMATION

Statement of Claim originally filed: September 7, 1988

Statement of Claim refiled: August 24, 1990

Claimant's Submission Agreement signed on: October 14, 1988.

Statement of Answer filed by PaineWebber on: September 21, 1990.

PaineWebber's Submission Agreement signed on: March 5, 1991.

Joint Statement of Answer filed by Respondents Roney and Brander on: October 11, 1990.

Roney's Submission Agreement signed on: October 5, 1990.

Brander's Submission Agreement signed on: October 5, 1990.

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HEARING INFORMATION

Pre-Hearing Conference: October 28, 1991.

Hearing Dates/Sessions: October 30, 1991 - two sessions  
October 31, 1991 - two sessions  
November 1, 1991 - two sessions  
March 10, 1992 - two sessions  
March 11, 1992 - two sessions

Hearing Location: Southfield, Michigan

CASE SUMMARY

Claimant, a widow, alleged that she was an unsophisticated investor who sought investment advice from Brander. Claimant alleged that Respondents Brander and PaineWebber induced her to entrust her entire lifesaving with them. Claimant alleged that Respondents PaineWebber and Brander represented to her that they would invest her lifesaving consistent with her stated investment objectives. Claimant alleged that Brander represented to Claimant, among other things, that if Claimant turned over all her savings for investment to him, that he would increase those monies to "one quarter of a million dollars in a couple of years". Claimant alleged that initially Brander invested her lifesaving in accordance with her stated investment objective but later Brander allegedly invested her funds in options, utilized margin and increased the activity in Claimant's account dramatically. Claimant alleged that pursuant to a scheme to defraud her, that Claimant's signatures were forged on both of her Option Agreements. Claimant alleged that Respondents PaineWebber, Brander, and Roney failed to disclose the risks associated with the investment strategy that Brander was employing in Claimant's account. Claimant alleged that she was repeatedly reassured that her lifesaving was secure and that her accounts were profitable. Claimant alleged that Respondents PaineWebber, Brander and Roney misrepresented the nature of the commission structure. Claimant alleged that the Respondents through their acts and omissions, placed their financial interest ahead of hers and that this caused the total depletion of Claimant's life savings while earning fees and commissions for the Respondents at Claimant's expense. Claimant alleged that Respondents PaineWebber and Roney were responsible for the acts of Brander under the doctrine of Respondeat Superior.

Respondent PaineWebber denied Claimant's allegations in their entirety and denied that it was liable to Claimant for any monetary damages. PaineWebber specifically maintained that Claimant was advised of the risks associated with trading options and that information regarding options and margin accounts were sent to her. PaineWebber denied Claimant's allegation that she was unaware of the commission and fee structure used by PaineWebber. PaineWebber asserted that Claimant's claims relating to trades made prior to

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September 8, 1982 are barred by the applicable statute of limitations. PaineWebber maintained that Claimant was suitable for the trading strategy used.

Respondents Roney and Brander maintained that Claimant's losses were sustained due to the market crash of October, 1987. Brander and Roney maintained that Claimant's allegations that she was defrauded by Brander, Roney and PaineWebber because she did not understand the risks of option trading are not credible. Brander and Roney maintained that Roney mailed to Claimant a disclosure statement which explained the risks inherent in trading options, the nature of options trading and the meaning of margin. Brander and Roney maintained that Brander advised Claimant of each transaction and obtained her approval for each trade. Brander and Roney asserted that Brander advised Claimant of various investment alternatives which Claimant rejected because they did not have enough potential for growth. Brander and Roney maintained that Claimant was sent and received all confirmation slips and monthly account statements. Brander and Roney categorically denied all allegations of wrongdoing specifically alleged by Claimant. Brander and Roney further maintained that Claimant's efforts to recover for events which occurred prior to September 6, 1987 are barred by the one year limitations period which Brander and Roney assert are applicable in this case.

#### RELIEF REQUESTED

Claimant requested a money judgment sufficient to allow Claimant to recover her lost principal, together with all income which should have been earned on the principal, plus the disgorgement of all fees, commissions and profits earned by Respondents, and an amount equal to the withdrawals made by Claimant, exemplary damages against PaineWebber and Roney in the amount of one million dollars and exemplary damages against Brander in the amount of three million dollars.

Respondent PaineWebber requested that Claimant's claim be dismissed in its entirety and that all costs associated with this arbitration be assessed against Claimant.

Respondents Brander and Roney requested that Claimant's claim be dismissed in its entirety.

#### OTHER ISSUES CONSIDERED & DECIDED

The Panel did not open the Reply Brief that was filed by Respondents Brander and Roney and therefore did not consider the Reply Brief in reaching its decision.

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.

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while the originals remain on file with the NASD.

**AWARD**

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions with the exception of Respondent Roney and Brander's Reply Brief, the undersigned arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. With respect to the claim of Sandra Lee Woodall against PaineWebber, Inc., the Arbitrators find in favor of PaineWebber, Inc.
2. With respect to the claim of Sandra Lee Woodall against Roney & Company and George Brander, the Arbitrators find in favor of Claimant and against Roney & Company and George Brander, jointly and severally, in the sum of Thirty Thousand Eight Hundred Ninety-Five and 56/100 Dollars (\$30,895.56); which includes interest to date of the Award.
3. Each party shall be responsible for payment of its own costs, expenses and attorneys fees.
4. All other claims and requests for damages are denied in their entirety.

**FORUM FEES**

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the Forum Fees are assessed against Respondents Roney & Company and George Brander, jointly and severally. Forum fees in this matter are \$7,800 which reflects the 10 hearing sessions that were conducted in this matter at \$750 per session plus fees for the pre hearing conference that was conducted at \$300 per session. Therefore Respondents Roney & Company and George Brander are jointly and severally assessed forum fees in the amount of \$7800.

Fees are payable to the National Association of Securities Dealers, Inc.

Concurring Arbitrator's Signature

Name

Jay B. MacKenzie

Public/Industry

Date of Decision: July 28th, 1992

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Concurring Arbitrator's Signature

Name

Carole M. Crosby  
Carole M. Crosby, Esq.

Public/Industry

Public

Date of Decision: 7-28-92

NASD Date of Decision: July 28th, 1992

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Concurring Arbitrator's Signature

Name

Public/Industry

  
H. Rollin Allen, Esq.

Date of Decision: July 28th, 1992