

N.A.S.D. AWARD

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

In the Matter of the Arbitration Between

Name of Claimants

Floyd and Mary Vaughan

90-02716

Name of Respondents

PaineWebber, Inc.
Michael Alioto
A.J. Paulikas

REPRESENTATION

For Claimants Floyd and Mary Vaughan ("Claimants"): David M. Foster, a sole practitioner.

For Respondents PaineWebber, Inc. ("PW") and A.J. Paulikas ("Paulikas"): Joseph F. Generelli, of PW.

For Respondent Michael Alioto ("Alioto"): Mr. Alioto appeared pro se.

CASE INFORMATION

Statement of Claim filed: September 24, 1990.

Claimants' Submission Agreement signed on: September 14, 1991.

Joint Statement of Answer filed by Respondents PW and Alioto on: March 27, 1991.

Respondent PW's Submission Agreement signed on: September 27, 1991.

Respondent Alioto's Submission Agreement signed on: October 3, 1991.

Statement of Answer filed by Respondent Alioto on: April 25, 1991.

Respondent Alioto's Submission Agreement signed on: April 26, 1991.

HEARING INFORMATION

Hearing Dates/Sessions: January 28, 1992/2 sessions.

January 29, 1992/2 sessions.

Hearing Location: Southfield, MI.

CASE SUMMARY

Claimants alleged Respondents recommended unsuitable investments to Claimants, particularly in uncovered put options trading; made fraudulent and innocent misrepresentations regarding the risks of trading uncovered

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options; Respondent Paulikas was negligent in his supervision of Alioto; and that Paulikas and Alioto breached their duty to act in the best interest of a customer.

Respondents PW and Paulikas alleged that when Claimants opened their account they executed a limited trading authorization form in favor of Alioto which authorized Alioto, in pertinent part, to do all types of options transactions; that all options trades were in compliance with approved trading levels at the branch level and later in accordance with the Senior Registered Options Principal; that investment recommendations made to Claimants were suitable; and that the risks and rewards of the put writing program were explained to Claimants.

Respondent Alioto alleged that all risks of options trading were discussed with Claimants; that the paperwork for options trading, Client's Agreement and Limited Trading Authorization forms were sent to Claimants along with the Options Risk Disclosure Booklet; that he acted in good faith towards the Claimants; and denied all claims made by Claimants.

RELIEF REQUESTED

Claimants requested: actual damages in the amount of \$129,132.29; trebled actual damages in the amount of \$387,396.87; punitive damages in the amount of \$129,132.29; or if treble damages are not awarded, treble punitive damages in the amount of \$387,396.87; and attorneys' fees.

Respondents PW and Paulikas requested: the claim of Claimants be dismissed in all respects; and costs.

Respondent Alioto requested: this matter be dismissed in its entirety.

OTHER ISSUES CONSIDERED & DECIDED

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 originals remain on file with the NASD.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- 1- Respondents PW, Paulikas and Alioto are liable and shall pay to Claimants the sum of TWENTY FIVE THOUSAND 00/100 DOLLARS (\$25,000.00);

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- 2- Claimants' claim of punitive damages is dismissed;
- 3- All other claims are dismissed;
- 4- The parties shall each bear their own costs, including attorneys' fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the NASD shall retain the \$250.00 non-refundable filing fee and the following Forum Fees are assessed.

4 sessions X \$1,000.00 = \$4,000.00 minus hearing session deposit of \$1,000.00
= net \$3,000.00 due.

Forum fees Assessed Against:

- 1- Respondents, jointly and severally, in the amount of \$3,000.00. Respondents shall also, jointly and severally, reimburse Claimants the sum of \$1,250.00 to represent the non-refundable filing fee and hearing session deposit.

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

Concurring Arbitrators' Signatures



Bruce K. Case/Industry Arbitrator

Date: March 9, 1992

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Concurring Arbitrators' Signatures

Donald F. Tucker
Donald F. Tucker/Public Arbitrator

Date: March 9, 1992

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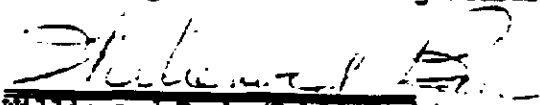
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Concurring Arbitrators' Signatures


William Banks
William Banks/Public Arbitrator

Date: March 9, 1992