

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

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In the Matter of the Arbitration Between

Name of Claimants

Orville and Sheila Block

91-02775

Name of Respondents

PaineWebber, Inc.  
Stephen Lococo

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REPRESENTATION

For Claimants at the hearing: Barry Lake, Esq., Lincoln, Nebraska.

For Respondent PaineWebber at the hearing: Joseph A. Vallo, Esq. of PaineWebber, Inc., Weehawken, New Jersey. For Respondent Stephen Lococo at the hearing: Dennis E. Martin, Esq. of Martin & Martin, P.C., Omaha, Nebraska.

CASE INFORMATION

Statement of Claim filed: September 3, 1991. Claimant's Submission Agreement signed on: August 29, 1991.

Statement of Answer filed by Respondent, PaineWebber Inc. on: November 4, 1991.

Statement of Answer filed by Respondent Steven Lococo on: November 1, 1991. Respondent, PaineWebber, Inc.'s Submission Agreement signed on: November 4, 1991. Respondent Stephen Lococo's Submission Agreement signed on: October 31, 1991.

HEARING INFORMATION

Hearing Date: August 19, 1992 for two (2) sessions,  
August 20, 1992 for two (2) sessions,  
November 10, 1992 for three (3) sessions,  
November 11, 1992 for two (2) sessions.

Hearing Location: Omaha, Nebraska.

### **CASE SUMMARY**

Claimants Orville and Sheila Block ("Block") alleged that Respondent PaineWebber, Inc. ("PW"), through its agent, Respondent Stephen Lococo, ("Lococo") engaged in unauthorized trading, recommended unsuitable trades, traded excessively, churned the account, engaged in margin misrepresentations, and failed to supervise.

The Blocks alleged that Lococo made unauthorized trades with the following stocks: Compaq Computer, C-Cor Electronics, First Capital Holdings, Eastman Kodak, Computer Automation, Micron Technology, Browning Ferris, Haliburton, Eagle Picher Industries, American Telephone, and Intera-Info Technology. The Blocks also alleged that Lococo executed puts and calls with the following stocks which were unsuitable: Apple, Compaq Computer, Delta Airlines, IBM, Microsoft, Micron Technology, Midway Airlines and General Motors. The Blocks alleged that Lococo and PaineWebber acted with the intent to deceive and with reckless disregard to the financial interests of the Blocks'.

Respondent PaineWebber specifically denied the allegations set forth in the Statement of Claim. PaineWebber alleged that the Blocks received monthly PaineWebber statements detailing their monthly activity. PaineWebber also alleged that the Blocks expressed no dissatisfaction in their account until July, 1990. PaineWebber further alleged that the Blocks had traded on margin for years and had signed Client Agreements which detailed the terms of a margin account.

Respondent Lococo generally denied the allegations set forth in the Statement of Claim. Lococo alleged that the Blocks ratified the trades in their account. Lococo denied making unsuitable trades. Lococo further alleged that Block did not grant discretion to Lococo and all trades were at his recommendation. Lococo specifically denied the allegations of misrepresentations. Lococo also alleged that at all times, he was properly supervised by PaineWebber.

### **RELIEF REQUESTED**

Claimants requested damages in the amount of \$200,391.00 plus loss of interest on their equity, costs, attorney's fees, and RICO treble damages.

Respondent PaineWebber requested that the claim be dismissed in its entirety with costs, and such further relief as the panel deems necessary. Respondent Lococo requested that the claim be dismissed with prejudice and other relief the arbitrators deem equitable.

### **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. The Claimants' Statement of Claim is denied in its entirety;
2. Each of the parties shall bear their own costs and expenses incurred, including attorney's fees, other than those specifically enumerated below under Forum Fees.

### **FORUM FEES**

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed:

9 hearing sessions X \$1,000.00 = \$9,000.00

Pursuant to Section 43(c) of the Code of Arbitration, the NASD shall retain the nonrefundable filing fee in the amount of \$250.00, and shall retain the hearing session deposit in the amount of \$1,000.00 previously paid to the NASD by the Claimant.

Additional forum fees in the total amount of \$8,000.00 are assessed against Respondent PaineWebber in the amount of \$4,000.00 and against Respondent Stephen Lococo in the amount of \$4,000.00.

Additional forum fees are payable to the National Association of Securities Dealers, Inc.

**By The Arbitration Panel:**

Dated:

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Wayne S. Rasmussen, Esq.  
Chairperson  
Public Arbitrator

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George A. Abbott  
Public Arbitrator

1/27/93

Michael A. Rzewnicki  
Michael A. Rzewnicki  
Industry Arbitrator

Date of Service by the NASD:

Feb 8, 1993