

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Edwin C. Hill

91-03413

Name of Respondents

Patrick J. Coty
Mary Beth Williams
John Glenstrup
Corestates Securities Corp.
Corestates NJ National Bank
National Financial Services Corp.

REPRESENTATION

Claimant, Edwin C. Hill ("Claimant") represented himself.

For Respondents, Patrick J. Coty ("Coty"), John Glenstrup ("Glenstrup"), Mary Beth Williams ("Williams"), Corestates Securities Corporation ("CSC"), New Jersey National Bank ("NJNB"): Carl N. Martin, Esq.

For Respondent National Financial Services Corporation ("NFSC"): Matthew Farley, Esq.

CASE INFORMATION

Statement of Claim filed on: October 8, 1991.

Claimant's Submission Agreement signed on: October 23, 1991.

Respondent Patrick Coty's Submission Agreement signed on: April 16, 1992.

Respondent John Glenstrup's Submission Agreement signed on: April 16, 1992.

Respondent Corestates Securities Corporation's Submission Agreement signed on: April 16, 1992.

Respondent National Financial Services Corporation' Submission Agreement signed on: not dated.

Respondent Mary Beth Williams' Submission Agreement signed on: not executed.

Joint Statement of Answer for Respondents' Patrick Coty, John Glenstrup, Mary Beth Williams, Corestates Securities Corporation, Corestates New Jersey National Bank filed on: March 23, 1992.

Statement of Answer for National Financial Services Corporation filed on: March 23, 1992.

HEARING INFORMATION

Hearing Date/Sessions: October 26, 1992 / Two Sessions

Hearing Location: National Association of Securities Dealers, Inc., 33 Whitehall Street, 8th Floor, New York City, New York.

CASE SUMMARY

Claimant alleged that he met a representative of First Investors Corporation at an investment sales presentation and became interested in purchasing tax-free securities. Claimant alleged that he subsequently went to the NJNB, Toms River, New Jersey, where he usually conducts his banking business and was referred to Respondent, Williams. Claimant alleged Williams assured him that she would handle his investments. Claimant alleged that Williams contacted Glenstrup at CSC and placed an order to purchase \$20,000.00 of First Investors' New Jersey Tax-Free Fund ("Fund"). Claimant alleged that he returned several days later and made an additional \$10,000.00 investment in the Fund.

Claimant alleged that a statement of his account at Corestates, received by him, did not reflect his \$10,000.00 investment nor did it reflect approximately \$1,300.00 of his \$20,000.00 investment. Claimant alleged that at this time he had not received a prospectus nor had he received any communications from First Investors. Claimant alleged that when he questioned Williams regarding his investments, she assured him that his \$20,000.00 investment was unchanged and that according to Glenstrup, his \$10,000.00 investment would soon be reflected on his statements. Claimant alleged that he contacted First Investors Corporation and was told that First Investors Corporation did not have an account listed in his name and that First Investors did not have a relationship with Corestates. Claimant alleged that Coty, Glenstrup, Williams, CSC and NJNB ("Respondents") caused him injury resulting in serious health problems and lost investment opportunities, failed to send or give him a prospectus as required by federal securities laws, and was responsible for the depletion of approximately \$1,300.00 of his investment.

Respondent Glenstrup maintained that he informed Claimant that Corestates was unfamiliar with the Fund and that Claimant replied that he, Claimant, was familiar with the Fund and subsequently made unsolicited investments of \$20,000.00 and \$10,000.00 on two separate

occasions. Respondents maintained that the approximately \$1,300.00 decline in Claimant's \$20,000.00 investment was due to sales charges as described in the prospectus and that the actual value of the Fund had increased. Respondents additionally maintained that pursuant to their Account Application, Claimant's securities were carried in the clearing broker's "Street-Name" which accounts for Claimant's inability to locate his account at First Investors. Respondents maintained that the trade confirmations admittedly received by Claimant and the semi-annual report given to Claimant by First Investors both disclosed that a prospectus should be read prior to investing in the Fund. Respondents maintained that NFSC, its clearing broker, utilizes operational procedures which insure that a prospectus is sent by an independent mail-house to all customers subsequent to the sale of a security cleared through its offices. Respondent CSC also maintained that NFSC had indemnified CSC against negligence and that CSC has no knowledge that procedures were not followed in Claimant's case. Respondents further maintained that Claimant has no basis for an award of punitive damages since neither egregious nor purposeful wrongdoing was shown by Claimant to have been committed. Respondent NFSC maintained that no act or omission of NFSC caused losses to Claimant for which it is liable.

RELIEF REQUESTED

Claimant requested:

- | | |
|---|---------------------|
| 1. The amount of funds lost: | \$ 1,789.60 |
| 2. Expenses incurred: | \$ 500.00 |
| 3. Punitive damages due to the resulting serious health problems and loss of investment opportunities suffered by Claimant: | <u>\$100,000.00</u> |
| Total Claim: | \$102,289.60 |

Respondents requested that the claim against Williams and NJNB be dismissed. Respondents requested that Claimant's claim be denied in its entirety.

OTHER ISSUES CONSIDERED AND DECIDED

1. Prior to the hearing, Claimant made a Motion to Bar Answer of Respondents. The panel denied this motion.
2. Respondents maintained that Williams is an employee of NJNB, which is not subject to the jurisdiction of the NASD. Thus, Respondents made a Motion to Dismiss the claim against NJNB and Williams which they later waived.
3. After Claimant completed his case, Respondents made a Motion for Directed Verdict to

dismiss Claimant's claim. The panel granted the motion only to the extent of dismissing the claim for damages due to resulting serious health problems and loss of investment opportunities.

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 claim against Coty, Glenstrup and Williams is dismissed.
2. The claim against CSC, NJNB and NFSC is denied.
3. Claimant is to return to Respondent NJNB check number 6328, in the amount of \$146.00 (One Hundred Forty Six Dollars) and check number 6222 in the amount of \$50.25 (Ten Dollars and Twenty-Five Cents) issued by NJNB. Upon receipt of the checks, NJNB is to issue a replacement check paid to the order of the Claimant in the amount of \$196.25 (One Hundred Ninety Six and Twenty-Five Cents).

FORUM FEES

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

Non-refundable filing fee for filing claim.....	\$200.00
Non-refundable filing fee for filing third party claim filed by NFSC....	\$500.00
Hearing Session Fees: \$750.00 x 2 Sessions.....	\$1,500.00
TOTAL.....	\$2,200.00

Forum fees are to be divided equally between Claimant, NFSC and CSC, so that each party is assessed \$733.33.

Claimant previously deposited \$650.00 and is entitled to an offset. Thus, Claimant owes the NASD \$83.33.

NFSC previously deposited \$1250.00 and is entitled to an offset in that amount.

CSC shall reimburse NFSC \$516.67 and remit \$216.66 to the NASD.

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

Arbitrator's Signature

Mark Shefts

Mark D. Shefts

Industry Panelist

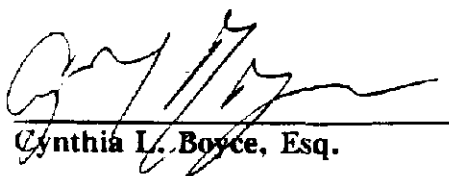
Executed on:

~~Date of Decision~~

12-1-92

Date of decision: December 17, 1992.

Arbitrator's Signature

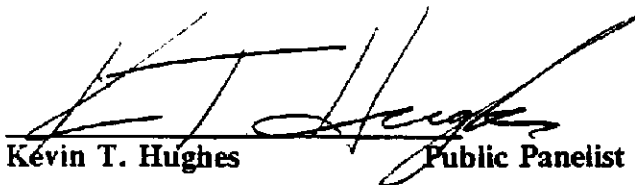
A handwritten signature in dark ink, appearing to read 'Cynthia L. Boyce', written over a horizontal line.

Cynthia L. Boyce, Esq.

Public Chairperson

Date of Decision: December 17, 1992.

Arbitrator's Signature


Kevin T. Hughes Public Panelist

Executed on:

~~Date of Decision~~

Dec 1, 1992

Date of Decision: December 17, 1992.