

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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In the Matter of the Arbitration Between :

PaineWebber Incorporated :

Claimant :

vs. :

Stereo Connection :

Respondent :  
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CASE #91-03575  
AWARD

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on November 13, 1991, Claimant, PaineWebber Incorporated by and through their in-house counsel, Garry J. Stegeland, Esq., alleged that on or about May 30, 1990, Respondent, Stereo Connection, by and through its President and Secretary, John J. McGraw, opened a margin account and on or about August 1, 1990 signed a Margin Lending Agreement or Client's Agreement in connection with this account. Claimant further alleged that on or about April 18, 1991, Mr. McGraw, as authorized agent and corporate officer for Respondent Stereo Connection, signed a Client Option Agreement and Qualification Form, in addition to an Options Trading Risk Disclosure Statement whereby Respondent's President, Mr. McGraw, acknowledged his understanding of the risks involved with options trading. Claimant contended that on April 18, 1991 Respondent purchased, authorized, 10 Calls of Upjohn Company at a price of \$2 11/16 and subsequently, failed to make payment for this purchase. Claimant further contended that Respondent's failure to pay for the purchase forced Claimant to liquidate the original purchase of 10 Calls Upjohn at a price of 5/16, whereby Respondent's account was left with a debit balance. Claimant asserted that on May 9, 1991, May 23, 1991 and July 3, 1991 they contacted Respondent in writing to demand repayment of the monies due and owing. Claimant further asserted that to date, Respondent has made no payments and the account continues to have a debit balance.

Respondent, Stereo Connection failed to file an Answer to the Statement of Claim.

RELIEF REQUESTED

Claimant, PaineWebber Incorporated requested \$2,446.75 in actual damages plus interest at the rate of 10% per annum from April 18, 1991, together with reasonable attorney's fees in the amount of \$244.67 and reimbursement of the NASD filing fee.

Respondent, Stereo Connection failed to file an Answer to the Statement of Claim.

AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Robert F. Sanville, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on October 29, 1991 and not signed by the Respondent Stereo Connection as provided by Sections 12 & 13 of the NASD Code of Arbitration Procedure.

1. In accordance with Section 13 of the NASD Code of Arbitration Procedure the Respondent Stereo Connection was served a copy the Statement of Claim by regular mail on November 19, 1991 and given an opportunity to respond, which they failed to do. Respondent Stereo Connection was notified on June 1, 1992, via certified mail, that their Statement of Answer was overdue. The signed certified mail receipt dated June 3, 1992 was returned to the NASD, Inc., evidencing their receipt of this correspondence. Respondent Stereo Connection was notified on June 29, 1992, via certified mail, of the selected arbitrator, pursuant to Section 21 of the NASD Code of Arbitration Procedure. Respondent Stereo Connection failed to file an Answer to the Statement of Claim.
2. Pursuant to the By-Laws of the NASD the arbitrator determined that Respondent Stereo Connection was required to submit to this arbitration proceeding and is, therefore, bound by the arbitrator's ruling and determination.

And, the Arbitrator, having considered the proof of the Parties, Has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Stereo Connection is liable and shall pay to the Claimant PaineWebber Incorporated the sum of \$2,446.75 in damages.
2. Respondent Stereo Connection is liable and shall pay to the Claimant the sum of \$198.68, representing interest.
3. Respondent Stereo Connection is liable and shall pay to the Claimant the sum of \$244.67, representing attorney's fees.
4. The parties shall bear their respective costs.
5. The \$575.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant PaineWebber Incorporated shall be retained by the NASD, Inc. Respondent Stereo Connection is liable and shall pay to the Claimant the sum of \$575.00 as reimbursement.

AFFIRMATION

I, ROBERT F. SANVILLE, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.



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Signature of Arbitrator

DATE OF DECISION: September 10, 1992