

**N.A.S.D. AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS**

In the Matter of the Arbitration Between

**Name of Claimant(s)**

Robert H. Eaton and  
Eula M. Eaton, Individually  
and as Trustees FBO  
Eula M. and Robert H. Eaton Trust  
Dated 3-15-1984

NASD Arbitration  
No.92-00430

**Name of Respondent(s)**

PaineWebber, Inc.  
Steven R. Baaden  
Raymond McClure

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**REPRESENTATION**

For Claimants: Robert H. Eaton, Rancho Palos Verdes, California

For Respondents: Judy Louie, Esq., PaineWebber, Inc., Los Angeles, California

**CASE INFORMATION**

Statement of Claim filed: February 4, 1992

Claimants' Submission Agreements signed:

As Individuals: January 21, 1992

As Trustees: July 31, 1992

Joint Statement of Answer filed: April 13, 1992

Respondents' Submission Agreements signed:

PaineWebber, Inc.: April 6, 1992  
Steven Baaden: March 16, 1992  
Raymond McClure: March 16, 1992

### **HEARING INFORMATION**

Hearing Dates/Sessions: January 28, 1992 - 2 Sessions  
January 29, 1992 - 2 Sessions

Hearing Location: Los Angeles, California

### **CASE SUMMARY**

Claimants alleged unauthorized sale of tax-free securities and the unauthorized purchase of limited partnerships with the proceeds of sale, churning, lack of suitability, breach of fiduciary duty, fraud, and emotional distress.

Respondents denied all allegations of wrong-doing, and asserted that Claimants authorized and ratified all transactions, that all known risks of the investments were fully explained to Claimants, that Claimants failed to use the requisite due diligence in monitoring and managing their accounts, that any losses were caused by Claimants' own conduct or negligence and that the claims are barred by the applicable statutes of limitations.

### **RELIEF REQUESTED**

Claimants requested compensatory damages, as amended, of \$188,634.53, punitive damages of \$377,269.00, that Respondents take back the limited partnerships still in the trust and IRA accounts (except for the \$20,000.00 National Tax Credit PTN), plus interest and costs of arbitration.

Respondents requested dismissal of all claims and an award of costs of arbitration and attorney's fees.

### **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 and post hearing submissions (if any), the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. All claims asserted against Raymond McClure are dismissed.
2. Respondents PaineWebber and Steven Baaden are jointly and severally liable for and shall pay to Claimants the sum of \$38,825.27 plus interest at the rate of 7% per annum from January 29, 1993 until paid with respect to the allegations of churning in the IRA account.
3. Respondents PaineWebber and Steven Baaden are jointly and severally liable for and shall pay to Claimants the following sums with respect to the limited partnership investments in the trust account:
  - (a) \$28,929.17 as the net amount on the rescinded transactions, representing the purchase prices with interest at 7% per annum to January 29, 1993, less distributions;
  - (b) \$2,240.00 for sums lost through cancellations of other limited partnership participations;
  - (c) Interest at 7% per annum on the aggregate amount of \$31,169.17 from January 29, 1993 until paid.
4. Claimants are to assign all their right, title and interest in the rescinded limited partnerships in the trust account to PaineWebber, Inc.

5. PaineWebber is liable for and shall pay to Claimants the sum of \$1,200.00 to cover the costs of the expert witness.

6. The parties shall each bear their respective attorney's fees.

### FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the NASD shall refund the \$250.00 filing fee and \$1,000 hearing session fee previously deposited by Claimant.

Respondents PaineWebber and Steven Baaden are jointly and severally liable for the filing fee and all forum fees, as follows:

Filing Fee	\$ 250.00
<u>Four Sessions @ \$1,000/session</u>	<u>\$4,000.00</u>
Balance Due	\$4,250.00


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

### ARBITRATORS

<u>Name</u>	<u>Public/Industry</u>
	Public Chairperson
	Public Panelist
	Industry Panelist

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John E. Ohashi

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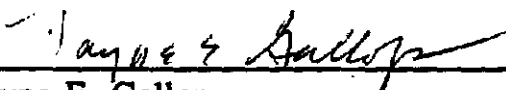
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<u>Name</u>	<u>Public/Industry</u>
Wayne E. Gallop	Public Chairperson
John E. Ohashi	Public Panelist
Ronald J. Fox	Industry Panelist

### Concurring Arbitrators' Signatures

  
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