

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between :

Ronald S. & Debra L. Anderson JT/WROS :

Claimants :

CASE #92-00575
AWARD

vs. :

PaineWebber, Inc. :

Christopher Leavy :

Respondents :
-----CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on February 18, 1992, Claimants Ronald S. & Debra L. Anderson who appeared Pro Se, alleged that in mid 1991 they were advised that Respondent Christopher Leavy had replaced Mr. Alan Miller as their Account Executive in their jointly owned account with Respondent PaineWebber, Inc., at which time, Respondent Christopher Leavy contacted Claimant Ronald S. Anderson on several occasions with various stock opportunities and advice relative to their holdings in Occidental Petroleum. Claimants further alleged that on September 5, 1991 Respondent Christopher Leavy contacted Claimant Ronald S. Anderson to once again solicit the sale of the Occidental stock, and subsequently, recommended that the sale proceeds be invested in options in NCR stock, whereby Claimants advised Respondent Christopher Leavy that they did not understand option trading but agreed to sell 300 shares of Occidental Petroleum. Claimants contended that with regard to the options, it was agreed that Respondent Christopher Leavy would forward information that would explain these types of investments, whereby, the information would give Claimants an opportunity to review this investment prior to any commitment. Claimants further contended that a few days later, they received, via Western-Union Mailgram, a margin call notice from Respondent PaineWebber, Inc., at which time, Claimant Ronald S. Anderson immediately contacted Respondent Christopher Leavy about the unauthorized trade and Respondent Christopher Leavy responded that Claimant Ronald S. Anderson must have misunderstood their previous conversation, that as their advisor he felt it was a good trade, therefore, he entered it. Claimants further asserted that Respondent Christopher Leavy informed them that since they failed, to cover the call, which resulted in a drop in the value of the option, he would direct the

sale of sufficient quantities of their holdings in Fisher-Price to cover the call, otherwise, Claimants would have to sell the option at a substantial loss. Claimants argued that within a day of receiving the margin call, they received a Client Option Agreement and Qualification Form, at which time, Claimant Ronald S. Anderson advised Respondent Christopher Leavy that they did not intend to execute this document since the trade was unauthorized. Claimants further argued that they exhausted all efforts to resolve this matter with Respondent PaineWebber, Inc., whereby, Respondent Christopher Leavy's inappropriate handling of Claimants' account in addition to Respondent's PaineWebber, Inc. failure to rectify the problem, caused them to sustain losses from the unauthorized option trade as well as the unauthorized liquidation of their holdings in Fisher-Price.

Respondents PaineWebber, Inc. and Christopher Leavy by and through their in-house counsel, Elyse A. Adrian, Esq., maintained that Claimants Ronald S. & Debra L. Anderson have traded stocks on margin for well over three years through their PaineWebber joint account, and have invested in equities and bonds for five years, therefore, they are well aware of the risks involved in stock market trading. Respondents further maintained that by signing a Joint Account with Right to Survivorship Form and a Client Agreement in 1988, Claimants acknowledged that they each have full power and authority to solely make investment decisions. Respondents contended that on or about July, 1991, Respondent Christopher Leavy became the investment executive for Claimant's account, at which time, Claimant Ronald S. Anderson stated and prioritized his investment objectives as growth; speculation; income; and safety, as indicated on an Options account Client Qualification Form sent to Claimants for review and signature, along with an options trading booklet entitled "Characteristics and Risks of Standardized Options". Respondents further contended that after Respondent Christopher Leavy reviewed Claimants' account portfolio, he determined that they were long 300 shares of Occidental Petroleum stock on margin. Respondents asserted that with regard to the trades in questions; Respondent Christopher Leavy was in contact with Claimant Ronald S. Anderson who authorized all transactions, displayed a good understanding of options trading and was fully aware of the risks involved. Respondents further asserted that Claimant Ronald S. Anderson authorized Respondent Christopher Leavy to take additional action in their account to cover the cost of the trade, and after regular discussion, Claimant Ronald S. Anderson entered an order to close out Claimants' option position, whereby, it was only after Claimants had realized a loss that they reported to Respondent PaineWebber, Inc. any alleged unauthorized trading. Respondents argued that the damages for which Claimants seek to hold Respondents liable resulted in whole or in part from Claimants' acts or omissions, and Respondents are in no way responsible for or

liable to Claimants for their own wrongful or negligent acts or omissions.

RELIEF REQUESTED

Claimants Ronald S. and Debra L. Anderson requested \$5,852.02 in actual damages.

Respondents PaineWebber, Inc. and Christopher Leavy requested the claim be dismissed with prejudice and costs, including attorney's fees be assessed against Claimants.

AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Thomas D. Cramer, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants on February 3, 1992, by the Respondent PaineWebber, Inc. on April 13, 1992 and by the Respondent Christopher Leavy on April 13, 1992.

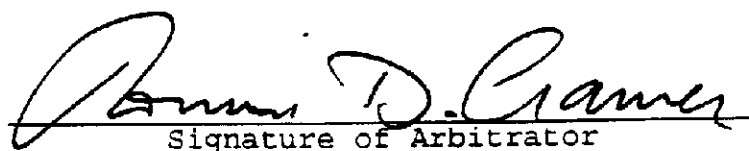
And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondents PaineWebber, Inc. and Christopher Leavy are jointly and severally liable and shall pay to the Claimants Ronald S. and Debra L. Anderson the sum of \$2,080.00 in damages.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants Ronald S. & Debra L. Anderson shall be retained by the NASD, Inc. Respondents PaineWebber, Inc. and Christopher Leavy are jointly and severally liable and shall pay to the Claimants the sum of \$75.00 as partial reimbursement.

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AFFIRMATION

I, THOMAS D. CRAMER, 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.


Signature of Arbitrator

DATE OF DECISION: September 24, 1992