

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of Arbitration Between

Name of Claimant

David P. and Andrea A. Ditto et al.

vs.

Case #: 92-00744

Name of Respondent

Prudential Securities, Inc., J.C. Bradforn & Company et al.

REPRESENTATION

For Claimants: Dale S. Ditto, Esq. solo practitioner, Lexington, KY and Tim Philpot, Esq. of Philpot & Sullivan, Lexington, KY.

For Respondent Prudential and Michael Brinlee: Peter Byer, Esq. in-house counsel at Prudential Securities.

For Respondent J.C. Bradford & Co. and Michael Brinlee: Claude O. Ramer, Esq. in-house counsel at J.C. Bradford & Co.

CASE INFORMATION

Statement of Claim filed: February 28, 1992.

Claimants' Submission Agreement was signed on: February 27, 1992.

Statement of Answer filed by Respondent, Prudential Securities, Inc. and Michael Brinlee on: May 14, 1992.

Respondent Prudential Securities, Inc.'s Submission Agreement signed on: December 8, 1992.

Statement of Answer filed by Respondent, J.C. Bradford & Co and Michael Brinlee on: April 24, 1992.

Respondent J.C. Bradford & Co's Submission Agreement signed on: April 23, 1992.

Respondent Michael Brinlee's Submission Agreement signed on: March 31, 1992.

HEARING INFORMATION

Pre-hearing Conference:	November 4, 1993	-	1 session
Hearing Date(s)/Sessions:	November 18, 1993	-	2 sessions
	November 19, 1993	-	2 sessions
Hearing Location:	Holiday Inn in Louisville, Kentucky.		

CASE SUMMARY

Claimants alleged that Respondent Michael Brinlee, formerly employed by Respondent Prudential, and currently employed by Respondent Bradford made unsuitable investments for Claimants, exercised discretion without written authority and made unauthorized transactions which resulted in hefty commission fees for Respondents. Claimants alleged that they were relatively unsophisticated investors who knew little about options or other investments being made on their account and these transactions were solely being made by the Respondents at their own initiative and without direction from Claimants. Claimants alleged that Respondents executed more than 440 transactions over a 2 year period in Claimants account. Claimants alleged that in each of their accounts, Respondent Brinlee, for himself and as an agent of the other Respondents, treated these accounts as if they were his own and told the Claimants only what he wanted them to know. Claimants alleged that because of Respondents' actions they suffered losses in their accounts.

Respondent Prudential and Brinlee maintained that in December, 1986 Prudential and Claimant Dr. Ditto indicated to Respondent Brinlee that his objectives for the account were long-term growth and income. Respondent Prudential further maintained that the account balance was small and used primarily as a checking account. Respondent Prudential maintained that in 1988 Claimant Dr. Ditto approached Respondent Brinlee with questions regarding future contracts, whereby, Respondent Brinlee informed Dr. Ditto he knew little about the sugar markets but could make some recommendations on equity option if he was interested thus Claimant opened an option account. Respondent Prudential maintained that Claimant Dr. Ditto expressed desire to speculate and opened a futures account and executed a Commodity Suitability Letter and from the inception of the Accounts he engaged in all types of Option strategies which were done at Claimants' initiative; Respondent Brinlee simply made recommendations to Claimants which they were free to accept or reject. Respondent Prudential further maintained that the accounts were

not discretionary and Claimants remained in complete control of their accounts, and were fully aware of the risks involved with the strategies that they were undertaking.

Respondents Bradford & Brinlee maintained that the same complaint was filed with the Kentucky Division of Securities which conducted a complete and thorough investigation of this matter and the Division concluded that the trading activity was suitable for Claimants in view of the written investment objectives of both accounts. Respondents further maintained that Respondents merely acted as agents in carrying out the investment objectives and directives of the account manager, Dr. Ditto, with his full and complete knowledge consent and authorization, and any losses were a result of Claimants' actions.

RELIEF REQUESTED

Claimant requested:

1. That the Dittos recover from the Respondents their nine thousand (9,000) shares of Liberty National Bank stock which were squandered and sold as a result of the unauthorized and unsuitable transactions of the Respondents.
2. That the Dittos recover their lost dividends on the Liberty National Bank stock and tax liabilities suffered as a result of this sale with adjustments for any deposits or withdrawals from said account.
3. That the Dittos' gift to Asbury College of one hundred (100) shares be completed.
4. For damages to the Dittos for emotional pain and suffering suffered as a result of bringing the Dittos to near financial ruin and squandering of all their savings.
5. That North Main Center recover from the Respondents the Twenty-Eight Thousand (\$28,000.00) Dollars placed in its account plus a reasonable rate of interest with adjustments for any other deposits or withdrawals made in said account.
6. For legal and accounting fees incurred in sorting through these transactions
7. For the costs of pursuing this claim, including a reasonable attorney's fee.
8. For punitive damages equal to the total losses of Claimants or in an amount reasonable in the discretion of the arbitration panel.

Respondent requested all claims be dismissed.

AWARD

1. Respondent Prudential Securities Inc. (hereinafter "Prudential") shall pay the Claimants David P. and Andrea A. Ditto (hereinafter "the Dittos") the sum of Forty Six Thousand Eight Hundred Forty Nine Dollars and forty Nine Cents (\$46,849.49).
2. Respondent Prudential shall pay to Claimant North Main Center (hereinafter "North Main") the sum of Ten Thousand Twenty Eight Dollars and Twenty Two Cents, (\$10,028.,22).
3. Respondent Michael F. Brinlee (hereinafter "Brinlee") shall pay to the Dittos the sum of Thirty One Thousand Six Hundred Ninety Four Dollars and Eighty Cents. (\$31,694.80.).
4. Respondent Brinlee shall pay to North Main the sum of Five Thousand One Hundred Seventy Seven Dollars and Ninety Three Cents (\$5,177.93).
5. Respondent Brinlee shall pay the Dittos the sum of Five Hundred Dollars (\$500.00) as punitive damages.
6. Respondent J.C. Bradford and Company shall pay to the Dittos the sum of \$8,107.04.
7. Each party shall bear their own costs including attorneys' fees.

FORUM FEES

Pursuant to Section 43(c)/44(c) of the Code of Arbitration Procedure, the following Forum Fee(s) are assessed.

4 sessions x \$750.00 + 1 pre-hearing conference x \$300.00 = \$3,300.00 net due less \$750.00 hearing session deposit \$2,250.00 net due.

Respondent Prudential be and hereby is liable and shall pay the NASD the sum of \$850.00 to represent forum fees.

Respondent J.C. Bradford be and hereby is liable and shall pay the NASD the sum of \$850.00 to represent forum fees.

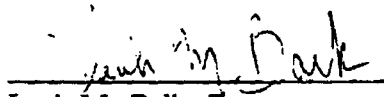
Respondent Brinlee be and hereby is liable and shall pay the NASD the sum of \$850.00 to represent forum fees.

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The NASD shall retain the \$200.00 filing fee and \$750.00 hearing session deposit previously paid by Claimant.

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

ARBITRATORS' SIGNATURE


Leah M. Balk, Esq.
Public Arbitrator

David N. Richardson
Public Arbitrator

Jerome A. Stricker
Industry Arbitrator

NASD Date of Decision: January 5, 1994

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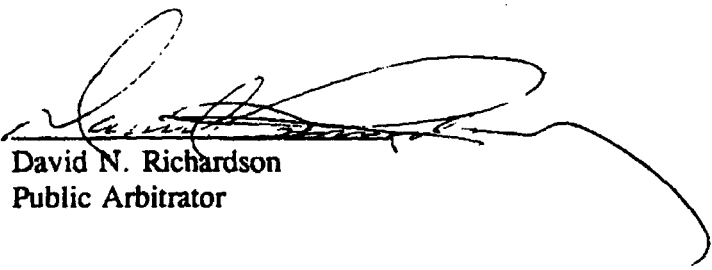
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12-26-93

NASD Date of Decision: January 5, 1994