

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

The Estate of Norman Davidson, Jr.
and the Norman Davidson, Jr. Trust

NASD Arbitration
No. 92-00918

Name of Respondent(s)

Bear Stearns & Co., Inc.
Edward Buliavac
Andrew E. Haas

REPRESENTATION

For Claimants: James L. Sanders, Esq., Sheppard, Mullin, Richter & Hampton,
Los Angeles, California

For Respondents: Samuel A. Keesal, Jr., Esq. and John R. Loftus, Esq., Keesal,
Young & Logan, Long Beach, California

CASE INFORMATION

Statement of Claim filed: March 16, 1992

Claimants' Opposition to Respondents' Motion to Dismiss and to Respondents'
Request for a Pre-Hearing Conference filed: June 19, 1992

Claimants' Motion to file an Amended Statement of Claims filed: October 5, 1992

Amended Statement of Claims filed: October 5, 1992

Claimants' Opposition to Respondents' Renewed Request for a Pre-Hearing
Conference filed: November 5, 1992

Claimants' Submission Agreement signed: March 6, 1992

Respondents' Motion to Dismiss and Answer to Statement of Claim: Request for Pre-Hearing Conference filed: June 1, 1992

Respondents' Reply Brief in Support of Motion to Dismiss filed: July 24, 1992

Respondents' Answer to Amended Statement of Claims; Request for Pre-Hearing Conference filed: October 30, 1992

Respondents' Submission Agreement signed as follows:

Bear Stearns & Company, Inc.: May 27, 1992

Edward Buliavac: May 27, 1992

Andrew Haas: May 27, 1992

HEARING INFORMATION

Pre-Hearing Conference Date/Session: May 21, 1993 (one session)

Hearing Dates/Sessions:

- November 17, 1992 (two sessions)
- November 18, 1992 (two sessions)
- November 19, 1992 (two sessions)
- February 1, 1993 (two sessions)
- February 2, 1993 (two sessions)
- February 24, 1993 (two sessions)
- February 25, 1993 (two sessions)
- February 26, 1993 (one session)
- May 24, 1993 (two sessions)
- May 25, 1993 (two sessions)
- May 26, 1993 (one session)
- August 3, 1993 (two sessions)
- August 4, 1993 (two sessions)

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimants alleged that they are entitled to damages based on the following actions by Respondents: 1) Directing and effecting excessive bond trades in securities accounts of Norman Davidson, Jr. and churning those accounts for the purpose of producing substantial income for the Bear Stearns Respondents in the form of commissions, markups, markdowns and trading desk spreads; 2) Directing and effecting unsuitable bond trades in the securities accounts of Norman Davidson, Jr.; 3) Misrepresenting or omitting to state material facts to Norman

Davidson, Jr.; 3) Misrepresenting or omitting to state material facts to Norman Davidson, Jr. in connection with the bond trading activity in his accounts; and 4) Improper supervision in connection with the bond trading activity in the Davidson accounts. Claimants further alleged violation of the Federal Securities Laws, the California Securities Laws, and California Common Law, breach of fiduciary duties, breach of contract, negligent supervision, fraud in violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 thereunder, fraud in violation of the California Securities laws (Section 25401 of the California Corporations Code), common law fraud and breach of fiduciary duty to Norman Davidson, Jr.

Respondents denied each and every allegation of wrongdoing alleged in the Statement of Claim and denied liability under each and every one of the causes of action specified in the Claim. Respondents alleged that Claimants' Claim is simply an effort by the Davidson estate to second guess trading devised in part and approved in whole by Norman Davidson and alleged that Norman Davidson never objected to the trading in his accounts despite being informed on numerous occasions that the bond swapping strategy he insisted upon necessarily resulted in significant losses of principal in his accounts. Respondents further alleged that all or part of Claimants' claims are barred by the applicable statute of limitations and asserted affirmative defenses.

RELIEF REQUESTED

Claimants requested the following damages against Respondents, jointly and severally:

1. Actual damages estimated at \$3,933,200.00, consisting of the estimated commissions, markups, markdowns and trading desk spreads charged to the Davidson accounts at Bear Stearns. The actual amount of the damages will be established by proof at hearing;
2. Actual damages of approximately \$3,103,201.00 consisting of the decline in the principal in those accounts as a result of the trading activity. The actual amount of the damages will be established by proof at hearing;
3. Punitive damages in an amount to be determined by the arbitration panel;
4. Interest on the amounts awarded by the arbitration panel;
5. All expenses, costs and disbursements, including attorneys' fees expended by the Davidson estate and Trust in pursuing this proceeding; and

6. All such other relief as the arbitration panel deems just and proper.

Claimants requested the following damages against Respondent Edward Buliavac based on Mr. Buliavac's activities at Drexel:

1. Actual damages estimated at \$4,348,060.00 consisting of the estimated commissions, markups, markdowns and trading desk spreads charged to the Davidson accounts at Drexel. The amount of the actual damages will be established by proof at hearing;

2. Actual damages of approximately \$3,963,170.00 consisting of the decline in the principal in those accounts as a result of the trading activity. The amount of the actual damages will be established by proof at hearing;

3. Punitive damages in an amount to be determined by the arbitration panel;

4. Interest on the amounts awarded by the arbitration panel;

5. All expenses, costs and disbursements, including attorneys' fees expended by the Davidson estate and Trust in pursuing this proceeding; and

6. All such other relief as the arbitration panel deems just and proper.

OTHER ISSUES CONSIDERED & DECIDED

Prior to the evidentiary hearing, the arbitrators reviewed and considered the written positions of counsel relative to Respondents' Motion to Dismiss. The arbitrators denied the Motion.

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 National Association of Securities Dealers, Inc. (NASD).

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. All claims by Claimants, including the claims for punitive damages, are

dismissed.

2. The parties shall each bear their respective costs including attorney's fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following forum fees are assessed: The NASD shall retain the \$1,500.00 hearing session deposit previously deposited by the Claimants. Forum fees are to be split between Claimants and Respondents and are calculated as follows:

One pre-hearing session	@ \$300.00/session	=	\$ 300.00
Twenty-four hearing sessions	@ \$1,500.00/session	=	\$36,000.00
Total fees assessed		=	\$36,300.00

Claimants' share (50%)	=	\$18,150.00
Credit for hearing deposit	=	\$ 1,500.00
Balance due	=	\$16,650.00

Respondents' share, jointly and severally (50%)	=	\$18,150.00
Balance due	=	\$18,150.00

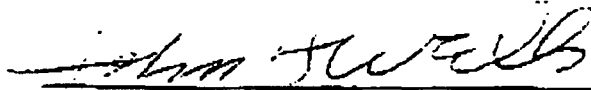
Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATORS

<u>Name</u>	<u>Public/Industry</u>
James S. Munroe, Sr.	Public Arbitrator
Robert W. Vernon, CPA	Public Arbitrator
John B. Wells	Industry Arbitrator

Concurring Arbitrators' Signatures

James S. Munroe, Sr.



John B. Wells

Date of Decision: _____

Data Served: 09/09/93