

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

William B. Frantz
Systems Data Inc.

92-01027

Name of Respondents

PCI Financial Securities Inc.
Joseph Teti
Danny White
Frank Csabai
Charles Childers
Michael Rogan
Al Bennett
Dwayne Pass

REPRESENTATION

For Claimants William B. Frantz and Systems Data Inc. ("Claimants"): Ronald O. Kaffen, of Baker, Chapman et al.

For Respondent PCI Financial Securities ("PCI"): Charles Childers, a shareholder of PCI, who did not appear at the hearing.

Respondents Joseph Teti ("Teti") and Danny White ("White") were not represented by counsel, nor did they appear at the hearing.

For Respondent Frank Csabai ("Csabai"): he appeared pro se.

For Respondents Charles Childers ("Childers") and Michael Rogan ("Rogan"): Edwin B. Kagan, a sole practitioner. Mr. Kagan did not appear at the hearing.

For Respondent Al Bennett ("Bennett"): he appeared pro se.

For Respondent Dwayne Pass ("Pass"): Richard Weldon, a sole practitioner who did not appear at the hearing.

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CASE INFORMATION

Statement of Claim filed: March 23, 1992.
Voluntary Dismissal of Pass dated: August 11, 1992.
Response to Childer's request to be dismissed dated: July 16, 1992.
Claimant's Submission Agreement signed on: March 16, 1992.

Respondents PCI, Teti, White and Pass did not file a Submission Agreement nor a Statement of Answer, as required, pursuant to Section 25 of the Code of Arbitration Procedure ("Code").

Statement of Answer filed by Respondent Csabai on: May 22, 1992.
Request to be Dismissed dated: May 20, 1992.
Request to be Dismissed dated: November 19, 1992.
Respondent Csabai's Submission Agreement signed on: February 17, 1993; however, it was not notarized.

Statement of Answer filed by Respondent Childers on: June 9, 1992.
Letter directing NASD to consider his letter filed June 9, 1992 as his Statement of Answer filed: June 17, 1992.
Respondent Childers did not file a Submission Agreement, as required, pursuant to Section 25 of the Code.

Statement of Answer filed by Respondent Rogan on: June 22, 1992.
Respondent Rogan's Submission Agreement signed on: June 17, 1992.

Statement of Answer filed by Respondent Bennett on: June 8, 1992.
Respondent Bennett's Submission Agreement signed on: February 17, 1993; however, it was not notarized.

HEARING INFORMATION

Hearing Date/Sessions: February 17, 1993/2 sessions.
Hearing Location: NASD/Cleveland, OH.

CASE SUMMARY

Claimants alleged PCI was responsible for the acts of its agents and that it failed to maintain adequate safeguards to prevent fraudulent conduct by its employees.

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Claimants alleged Teti and White defrauded them of their money based upon the purchase of Upjohn options. Claimants alleged Teti executed unauthorized options purchases on behalf of William B. Frantz ("Frantz"). Claimants alleged they loaned Teti funds so that he could invest in a joint account with Claimants in Upjohn options and Teti then made unauthorized trades. Claimants further alleged Teti employed a "markup" or other means to deny Systems Data Inc. monies concerning Treasury strips. Claimants also alleged Teti deducted brokerage fees resulting in overcharges not refunded by PCI.

Claimants alleged White was Teti's immediate supervisor and ignored suitability standards and appropriateness of industry investment standards.

Claimants alleged Csabai was the registered Option Principal for PCI and was responsible for execution of all the option purchases. Claimants alleged he failed to meet his supervisory responsibilities with regard to Claimants' accounts and failed to maintain appropriate review procedures.

Claimants alleged Childers was a stockholder in PCI and became directly involved in the day-to-day operations of PCI once internal problems occurred in the corporation. Claimants alleged he took the position of a Principal of PCI; however, he was not qualified or registered. Claimants alleged Childers attempted to "cover up" problems created by Csabai concerning the placing of uncovered orders in the options market.

Claimants alleged Rogan was the President and registered Principal of PCI at all times pertinent to this claim after the Union Carbide Corporation ("UCC") trades. Claimant alleged he knew or should have known about the sales practices exercised by his subordinates and that he failed to maintain adequate safeguards and procedures concerning his brokers. Claimants further alleged Rogan knew or should have know of irregularities occurring within the options trading at PCI.

Claimants alleged Bennett urged them to purchase UCC call options, wherein he assured them a buyout was ninety-nine (99%) percent sure to be accomplished. Claimants alleged they would not have invested in UCC call options had it not been for Bennett's information.

Claimant alleged Pass was President and a registered Principal of PCI during the time period PCI was trading options in UCC. Claimants alleged Pass knew or should have known deceptive practices were being exercised by his subordinates and failed to maintain adequate safeguards to prevent brokers from defrauding clients.

Respondent PCI did not file a Statement of Answer.

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Respondent Teti did not file a Statement of Answer.

Respondent White did not file a Statement of Answer.

Respondent Csabai maintained Frantz was a speculative trader before he, Csabai, became the Registered Option Principal ("ROP") of PCI during April 1991. Csabai also asserted he was not responsible in this matter. Csabai maintained he never spoke with Frantz or had any communication with him. Csabai further asserted that when he became ROP, ninety-nine (99%) percent of Frantz's trades had already taken place. Finally, Csabai requested he be dismissed from this matter.

Respondent Childers maintained he was never registered in the securities industry and was mistakenly named in this matter. Childers asserted he never completed or signed a U-4 and that one was signed without his knowledge or permission. Finally, Childers requested he be dismissed from this matter.

Claimants responded to Childers' request to be dismissed by alleging that the lack of Childers' signature on his application form prior to filing with the NASD was not dispositive of this matter. Further, Claimants alleged that subsequent to the time Pass left PCI, Childers took an active role and held himself out as a Principal and has subjected himself to this panel's jurisdiction.

Respondent Rogan asserted that the only knowledge he had concerning Claimants' accounts during his employment at PCI, occurred in September 1990, when at the request of Pass, he reviewed a letter that Frantz sent to Pass. Rogan maintained he contacted Frantz, at Pass' request, and took such action as was requested by Frantz. Rogan asserted he had no further contact with Frantz or Claimants' accounts after that time. Rogan asserted he had no supervisory duties over the activities of the other Respondents and that Claimants have filed this action against him in the hopes of finding a "deep pocket." Also, Rogan denied he was President of PCI until April 1991, well after the majority of Claimants' trades that were the subject of this action were made; he denied that he had any duties concerning Claimants' accounts, including the suitability of Claimants' investments; he denied that he knew of the supposedly deceptive sales practices engaged in by the other Respondents; or that he knew of irregularities occurring within the options trading at PCI and failed to take corrective measures.

Respondent Bennett denied all allegations made in the Statement of Claim. Bennett asserted he did not recall speaking to Frantz; was not aware of any conversations between Teti and Frantz; and never had a vested interest in Frantz' account.

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Respondent Pass did not file a Statement of Answer.

RELIEF REQUESTED

Claimants requested: actual damages in the amount of \$290,168.47.

Respondents Teti, White, Rogan and Pass made no formal plea of relief.

Respondent Csabai requested: dismissal of Frantz's complaint.

Respondent Childers requested: dismissal from this matter.

Respondent Bennett maintained that Claimants' demand for any damages against him were unwarranted and should be denied.

OTHER ISSUES CONSIDERED & DECIDED

The parties present at the hearing 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.

1. This arbitration panel has determined they will accept Claimants' withdrawal of their claims, with prejudice, against Respondents PCI, Childers and Rogan;
2. This arbitration panel has determined they will accept Claimants' withdrawal of their claims, without prejudice, against Respondents Teti, White and Pass;
3. This arbitration panel has determined they will accept Claimants' voluntary dismissal, without prejudice, of its claims against Dwayne Pass;
4. Pursuant to the by-laws of the NASD, this arbitration panel has determined that Respondents Csabai and Bennett are bound by its rulings and determinations.

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:

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1. The claims of Claimants William B. Frantz and Systems Data Inc. are denied:
2. The Motions to Dismiss of Frank Csabai are denied:
3. All other claims are denied:
4. Each party shall bear its own expenses, except that Respondent Csabai is hereby liable and shall pay to Claimants the sum of \$250.00 and Respondent Bennett is hereby liable and shall pay to Claimants the sum of \$250.00. Said amounts to reimburse to Claimants partial payment of the hearing session deposit.

FORUM FEES

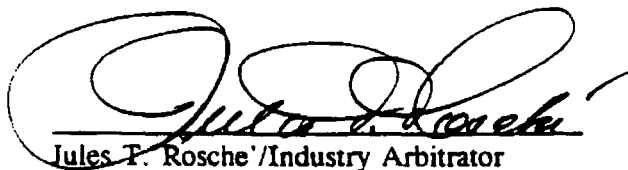
Pursuant to Section 43c of the Code of Arbitration Procedure, the NASD shall retain the \$200.00 non-refundable filing fee previously deposited by Claimants and the following Forum Fees assessed.

2 sessions X \$750.00 = \$1,500.00 minus hearing session deposit of \$750.00 = net \$750.00 due.

Forum fees Assessed Against:

1. Claimants William B. Frantz and Systems Data Inc. are hereby liable, jointly and severally, in the amount of \$250.00. However, in lieu of further payment, the NASD shall retain the \$750.00 hearing session deposit previously paid by Claimants and Claimants shall be reimbursed by Respondents Csabai and Bennett for the remaining \$500.00 as noted above.

Arbitrator Signature



Jules T. Rosche/Industry Arbitrator

Date of Decision: March 25, 1993

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3. All other claims are denied;
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Arbitrator Signature


Dennis E. Minni/Public Arbitrator

Date of Decision: March 25, 1993

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Arbitrator Signature



Charles J. Clinton/Public Arbitrator

Date of Decision: March 25, 1993