

"double digits". Claimant further asserted that based on Respondent Paul Warehall's glowing assurances and his recommendation, she purchased another 1,000 shares of GACC on margin at \$6,875 for a total of \$7,068.45. Claimant argued that as the value of the GACC stock continued to drop, her husband would call Respondent Paul Warehall to express his concerns, whereby Respondent Paul Warehall would assure Claimant's husband "not to worry" and that it was simply a good opportunity to buy more stock to average down the price paid. Claimant further argued that in August 1990 there was a margin call in the account requiring an additional deposit of \$550.00 and in September 1990 there was another margin call due to the declining value of the account which caused the premature sale of the Altron shares, resulting in a loss of \$934.00, in addition to another margin call for \$1,759.00, two weeks later, in which it would be necessary to keep Respondent Shearson Lehman Hutton, Inc. from having to sell GACC. Claimant further alleged that Respondent Paul Warehall's inappropriate handling of her account and Respondent Shearson Lehman Hutton, Inc. failure to supervise Respondent Paul Warehall, caused Claimant to sustain losses when due to Respondent Paul Warehall's misrepresentations, Respondent Shearson Lehman Hutton, Inc. had to sell 1,500 shares of GACC to cover the margin call.

Respondents Shearson Lehman Hutton, Inc. and Paul Warehall by and through their in-house counsel William A. Hohauser, Esq., maintained that in October 1987 Claimant Gretchen Pasternak opened an Option account, with Mr. Banta, Financial Consultant and the new account form was updated to reflect the investment objective to include "speculation" as well as "appreciation with risk", whereby Claimant expressly declared that equity options were suitable for her investment purposes. Respondents further maintained that Claimant subsequently began to transfer her securities to margin accounts and also to purchase stock options, in addition to transferring security accounts from Prudential Bache and Bear Stearns, holdings which exemplify broad activity, thus, showing Claimant's willingness to undertake high risk in investing, prior experience, sophistication and knowledge of investment vehicles. Respondents contended that in March 1988 following Mr. Banta's departure, another Financial Consultant, Respondent Paul Warehall, assumed responsibility for the account and in January, 1989, at the recommendation of Respondent Paul Warehall, Claimant authorized the purchase of Intel Corporation warrants which ultimately yielded a profit of more than \$2,200.00. Respondents further contended that throughout 1989, Claimant continued to make highly speculative investments and assume high levels of risks. Respondents asserted that on January 31, 1990 Claimant's husband authorized the purchase of 500 shares of Great American Communication Company ("GACC") based upon the recommendation of Respondent Paul Warehall, at which time, Respondent Paul Warehall expressed his opinion as to his belief of the prospectus for this stock but never made any

guarantees of performance or assurances of success. Respondents further asserted that in March 1990 Claimant purchased 500 shares of Altron stock and received GACC's annual report, which disclosed that the corporation had lost money over the past two years and projected future losses, at which time, Claimant's husband expressed concern as to the corporation's financial condition and Respondent Paul Warehall stated his belief that the strength of GACC was found in its assets, rather than its earnings. Respondents argued that Claimant's husband's response to the GACC's annual report was to authorize the purchase of 1,000 additional shares of GACC, thereby tripling the value of this investment. Respondents further argued that when the price of GACC stock began to decline, Claimant chose to meet the margin calls via cash payments and never instructed Respondent Paul Warehall to liquidate the GACC. Respondents further maintained that neither Respondent Paul Warehall nor Respondent Shearson Lehman Hutton, Inc. guaranteed performance or indicated any knowledge of illegal information and there is no dispute that Claimant authorized these transactions, therefore, Respondents are not liable for any losses Claimant may have incurred.

RELIEF REQUESTED

Claimant Gretchen Pasternak requested \$9,372.00 in actual damages plus pre- and post interest together with consulting fees and reimbursement of the NASD filing fee.

Respondents Shearson Lehman Hutton, Inc. and Paul Warehall requested the claim be dismissed in its entirety and that Respondents be awarded costs, including attorney's fees.

AWARD

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, John F. Snyder, Esq., was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on April 15, 1992, by the Respondent Shearson Lehman Hutton, Inc. on July 7, 1992 and by the Respondent Paul Warehall on July 15, 1992.

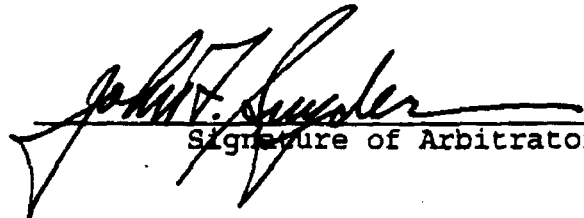
And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Shearson Lehman Hutton, Inc. is liable and shall pay to the Claimant Gretchen Pasternak the sum of \$1,900.00 in damages.

2. Respondent Paul Warehall is liable and shall pay to the Claimant Gretchen Pasternak the sum of \$7,472.00 in damages.
3. Respondent Shearson Lehman Hutton, Inc. is liable and shall pay to the Claimant Gretchen Pasternak simple interest at the legal statutory rate from July 1, 1992 to the date of payment of the award.
4. The parties shall bear their respective costs.
5. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Gretchen Pasternak shall be retained by the NASD, Inc. Respondent Shearson Lehman Hutton, Inc. is liable and shall pay to the Claimant the sum of \$150.00 as reimbursement.

AFFIRMATION

I, JOHN F. SNYDER, ESQ., 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