

MODIFIED N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of Arbitration Between

Name of Claimants

Allan & Joan Storace
Allan Storace/TTEE
Jean Storace Tr.

vs.

Case # 92-02960

Name of Respondents

Prudential Securities, Inc.
Herbert A. Kroner

REPRESENTATION

For Claimants: Lawrence R. Gelber, Esq. of Beigel & Sandler.

For Respondents: Andrew W. Sidman, Esq. of Butler, Fitzgerald & Potter.

CASE INFORMATION

Statement of Claim filed: September 1, 1992.

Claimant's Submission Agreement signed on: August 18, 1992.

Statement of Answer filed by Respondent, Prudential Securities, Inc. on: January 4, 1993.

Respondent, Prudential Securities, Inc.'s Submission Agreement signed on: December 31, 1992.

Respondent, Herbert A. Kroner's Submission Agreement signed on: December 31, 1992.

HEARING INFORMATION

Hearing Dates/Sessions:	July 14, 1993	-	2 sessions
	July 15, 1993	-	2 sessions
	October 15, 1993	-	2 sessions
	December 16, 1993	-	2 sessions

Hearing Location: NASD offices located in New York City, New York.

CASE SUMMARY

Claimants allege that they maintained a joint account and a trust account with the Respondents. Claimants allege that Respondent, Herbert M. Kroner ("Kroner") improperly completed various new account forms, filling in conflicting information to artificially create suitability standards which did not exist.

Claimants allege that they were unsophisticated investors and advised Kroner as such. Claimants allege that they also told Kroner that they were risk averse and required liquidity in their investments. Claimants allege that Kroner knew their financial and personal situation very well since they were friendly with one another.

Claimants allege that Kroner acknowledged that he understood the Claimants' goals and circumstances and that he would only recommend suitable investments for their conservative goals. Claimants allege that Kroner invested in high risk or illiquid limited partnerships and persuaded them to sell stable blue-chip securities.

Claimants allege that Kroner failed to advise them that the investments were declining in value, and failed to advise them of steps to reduce damages.

Respondents maintain that Kroner and Claimant, Allan Storace ("A. Storace") spoke often about the status of the investments in the Claimants' accounts. Respondents maintain that A. Storace told Kroner he sought income and growth for the Trust account he held for his mother, and the joint account he held with his wife, Claimant, Joan Storace. Respondents maintain that with Kroner's advise, A. Storace constructed a diversified portfolio for both the Trust account and the joint account. Respondents maintain that the three investments Claimants complain of were liquid and were fully discussed with A. Storace. Respondents maintain that Kroner did recommend that the Claimants sell stock because an analyst at Respondent, Prudential Securities, Inc. ("PSI") downgraded her rating on the stock.

Respondents maintain that the investments purchased by the Claimants were consistent with their investment objectives and that Kroner acted in the best interest of his clients at all times.

RELIEF REQUESTED

Claimants requested damages in an unspecified amount, plus RICO damages, interest, costs, attorneys fees and punitive damages.

Respondents requested that the Statement of Claim be dismissed and that costs be awarded to the Respondents.

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. Respondent, Prudential Securities, Inc., is hereby liable and shall pay to the Claimants the amount of \$41,250.00.
2. The claims for interest, RICO and punitive damages are hereby denied.
3. All claims against Respondent, Herbert M. Kroner are hereby dismissed.
4. Each party shall bear their respective costs of this action, including attorneys fees.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

\$250.00 Non refundable filing fee.

\$4,800.00 Hearing Session fees (8 sessions x \$600.00)

- 1) The NASD shall retain the \$250.00 non-refundable filing fee and \$600.00 hearing session deposit paid by the Claimant.
- 2) The balance of the forum fees in the amount of \$4,200.00 is hereby assessed against the Respondent, Prudential Securities, Inc. Prudential Securities, Inc. is directed to pay this amount to the NASD, Inc.

ARBITRATION PANEL

Allen Kilik, Esq.	-	Public Chairperson
George R. Freund	-	Public Panelist
James E. Howard	-	Industry Panelist

Concurring Arbitrator's Signature

Allen Kilik

Allen Kilik, Esq.

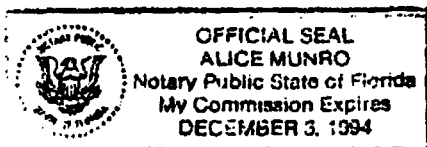
Date of Decision: March 17, 1994

STATE OF
COUNTY OF

Palm Beach ^{SS.}

On this 4 day of March, 1994, before me personally appeared Allen Kilik known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.

Alice Munro



ARBITRATION PANEL

Allen Kilik, Esq.	-	Public Chairperson
George R. Freund	-	Public Panelist
James E. Howard	-	Industry Panelist

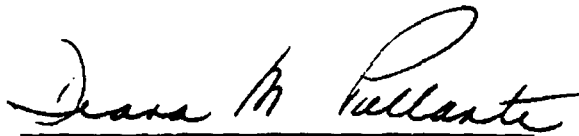
Concurring Arbitrator's Signature


George R. Freund

Date of Decision: March 17, 1994

STATE OF *New Jersey* s.s.
COUNTY OF *Hudson*

On this *8th* day of March, 1994, before me personally appeared George R. Freund known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.

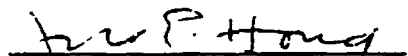


DIANA M. PALLANTE
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires Mar. 17, 1994

ARBITRATION PANEL

Allen Kilik, Esq.	-	Public Chairperson
George R. Freund	-	Public Panelist
James E. Howard	-	Industry Panelist

Concurring Arbitrator's Signature


James E. Howard

Date of Decision: March 17, 1994

STATE OF *New York* s.s.
COUNTY OF *Kings*

On this *7* day of March, 1994, before me personally appeared James E. Howard known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he executed the same.



GERALD N. GORDON
Notary Public, State of New York
No. 24-6598315
Qualified in Kings County
Commission Expires July 31, 1994