

N.A.S.D. AWARD

PUBLIC

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Suresh B. Kodali, M.D.

92-03437

Name of Respondent(s)

Prudential Securities Inc
Rabindra N. Bhattacharya

REPRESENTATION

For Claimant Suresh B. Kodali, M.D.: R. David Lester, Esq. of Stell, Keenan & Park, Lexington, Kentucky.

For Respondents Prudential Securities, Inc. and N. Bhattacharya: William W. Allen, Esq. of Gess Mattingly & Atchison, Lexington, Kentucky.

CASE INFORMATION

Statement of Claim filed: October 8, 1992.

Claimant's Submission Agreement signed on: October 8, 1992.

Claimant's Reply to Respondents' counterclaim: December 21, 1992.

Joint Statement of Answer and counterclaim filed by Respondents Prudential Securities, Inc. and N. Bhattacharya on: December 9, 1992.

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

Respondent N. Battacharya's Submission Agreement signed on: January 25, 1993.

HEARING INFORMATION

Hearing Dates/Sessions: September 21, 1993 / Two Sessions
 September 22, 1993 / Two Sessions

Hearing Location: Law offices of Pedley Ross Zielke & Gordiner, Louisville,
Kentucky.

CASE SUMMARY

Claimant alleged that as of April 20, 1992 Claimant had \$743,333.00 on deposit with Respondent Prudential Securities, Inc. and on March 23, 1992 Respondent Bhattacharya, registered representative of Respondent Prudential Securities, Inc., sold 106 uncovered April Puts of Centercor in Claimant's name. Claimant further alleged that on March 24, 1992 Respondent Bhattacharya sold 394 puts of Centercor, and on March 27, 1992 he sold another 200 puts, whereby, each put required Claimant to purchase 100 shares of Centercor stock at \$30.00 a share. Claimant contended that in early April 1992 Claimant directed Respondent Bhattacharya to terminate his position with respect to the puts by purchasing the puts in a sufficient number to alleviate the extreme position he was facing; however, Respondent Bhattacharya only purchased 200 puts on April 7, 1992 and 26 puts on April 10, 1992 which were not sufficient to cover Claimants position and were, therefore, in direct breach of fiduciary and contractual duties owed to Claimant by Respondents. Claimant alleged that Respondent, without authorization and in contravention to Claimants express order, sold an additional 500 May puts in Claimants' name on April 14, 1993 when at the same time Claimant asked Respondents to eliminate his position. Claimant alleged that the following day Centercor stock fell from \$31.25 to \$18.50 per share, whereby, Respondent Prudential then liquidated Claimants' entire account. Claimant contended that any investment in the puts were completely unsuitable as an investment for Claimant, and Respondent Bhattacharya never fully explained options and assured Claimant that there was no risk associated in trading in the puts of Centercor stock. Claimant alleged that because of Respondents' actions Claimant lost all the monies in his account and his entire life savings.

Respondents maintained that Claimant ordered on an unsolicited basis all aspects of each trade, including price and Claimant did not direct Respondents to terminate Claimant's position by purchasing puts. Respondents further maintained that their conduct did not constitute a breach of any duties owed by them to Claimant. Respondents further maintained that Claimant was experienced in trading and well informed about the nature and risks inherent in selling puts and calls and all trades were unsolicited and were not the result of recommendations

or solicitations by either Respondents. Respondents asserted a counterclaim to recover a deficit in Claimants margin account pursuant to agreement.

Claimant denied all of Respondents' counterclaims.

RELIEF REQUESTED

Claimant requested \$743,333.00 in compensatory damages, plus interest, costs, attorneys' fees and punitive damages and Respondents' counterclaim be dismissed.

Respondents' requested dismissal of all claims, \$545,925.00 in compensatory damages, attorneys' fees, costs.

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. Respondents Prudential Securities, Inc. and N. Battacharya be and hereby are liable, jointly and severally, and shall pay to Claimant Suresh B. Kodali the sum of Five Hundred Fifty Six Thousand Dollars (\$556,000.00) inclusive of interest.
2. Each party shall bear their own costs including attorneys' fees.
3. Respondents Prudential Securities, Inc. and N. Battacharya be and hereby are liable, jointly and severally, and shall pay Claimant the sum of \$1,250.00 to represent filing fees and hearing session deposit.
4. All counterclaims by Respondents be and hereby are dismissed in their entirety.

FORUM FEES

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

4 sessions x \$1,000.00 = \$4,000.00 less \$2,000.00 hearing session deposit = \$2,000.00 net due.

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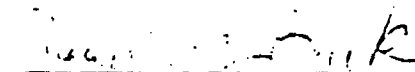
Forum Fees Assessed Against:

Respondents Prudential Securities, Inc. and N. Bhattacharya be and hereby are liable jointly and severally and shall pay the NASD the sum of \$2,000.00 to represent forum fees.

The NASD shall retain the \$250.00 filing fee and \$1,000.00 hearing session deposit previously paid by Claimant.

The NASD shall retain the \$500.00 filing fee and \$1,000.00 hearing session deposit previously paid by Respondents.

ARBITRATORS' SIGNATURE



Leah M. Balk, Esq.
Public Arbitrator

Date of Decision: October 13, 1993

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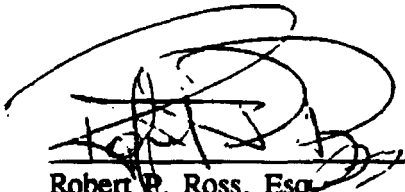
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Robert P. Ross, Esq.
Public Arbitrator

Leah M. Balk, Esq.
Public Arbitrator

James R. Miller, Esq.
Industry Arbitrator

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