

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the matter of the Arbitration Between

Name of Claimant(s)

Steven I. Friedman
Nancy A. Friedman

NASD Arbitration
No. 93-00866

Name of Respondent(s)

Shearson Lehman Hutton, Inc.
Kenneth South

REPRESENTATION

For Claimants: Paul N. Young, Securities Arbitration Group, Inc.,
Marina del Rey, California

For Respondents: Stephen Young, Esq. and William J. Bridgen, Esq.,
Keesal, Young & Logan, Long Beach, California

CASE INFORMATION

Statement of Claim filed: February 23, 1993

Claimants' Submission Agreements signed as follows:

Steven I. Friedman: February 23, 1993
Nancy A. Friedman: June 10, 1993

Joint Statement of Answer filed by Respondents: May 14, 1994

Respondent Kenneth South's Submission Agreement signed: May 11,
1993

Respondent Shearson Lehman Hutton, Inc. did not file a properly
executed submission agreement but is subject to National Association
of Securities Dealers, Inc. (NASD) jurisdiction in accordance with
Section 12 of the NASD Code of Arbitration Procedure.

HEARING INFORMATION

Pre-Hearing Conference Date(s)/Session(s): None

Hearing Date(s)/Session(s): May 4, 1994 (two sessions)
May 5, 1994 (two sessions)
May 6, 1994 (one session)

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimants alleged that they suffered losses because of Respondents' misconduct and gross negligence. Claimants further alleged: 1) suitability; 2) breach of contract; 3) misrepresentation; 4) violations of NASD guidelines; 5) failure to follow instructions; 6) breach of fiduciary duty; and 7) churning, excessive trading, commissions and margin interest with respect to various options transactions and margin trading in Claimants' account.

Respondents denied Claimants' allegations of wrongdoing and alleged that Steven I. Friedman had his own investment agenda and significant prior trading experience in penny stocks and aggressive options trading. Respondents further alleged that at no time was Mr. Friedman under-informed or misinformed regarding the risks involved in his chosen options strategies. Respondents further alleged that all investment decisions were made by Mr. Friedman and that he had the understanding and information to evaluate any recommendations provided by Respondent Kenneth South. Respondents also asserted affirmative defenses.

RELIEF REQUESTED

Claimants requested:

1. Compensatory damages in an amount to be determined at hearing;
2. Interest at the California legal rate, as appropriate;
3. Reversal of all commissions and margin interest charged from June, 1989 forward; and
4. Punitive damages as deemed appropriate by the panel.

Respondents requested dismissal of Claimants' claims.

OTHER ISSUES CONSIDERED AND DECIDED

The parties have agreed that the Award in this matter may be executed in either 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.

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 Shearson Lehman Hutton, Inc. is solely liable for and shall pay to Claimants Steven I. Friedman and Nancy A. Friedman the sum of \$5,000.00.

2. Respondent Kenneth South is solely liable for and shall pay to Claimants Steven I. Friedman and Nancy A. Friedman the sum of \$15,000.00.

3. All other claims by Claimants, including the claim for punitive damages are denied.

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

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed: The NASD shall retain the \$600.00 hearing session deposit previously deposited by the Claimants. Forum fees are to be split between the parties and are calculated as follows:

| | | |
|---|---|------------|
| Five hearing sessions @ \$600.00/session | = | \$3,000.00 |
| Total fees assessed | = | \$3,000.00 |
| Claimants' share (50%) | = | \$1,500.00 |
| Credit for hearing deposit | = | \$ 600.00 |
| Balance due | = | \$ 900.00 |
| Respondents' share, jointly and severally (50%) | = | \$1,500.00 |
| Balance due | = | \$1,500.00 |

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

ARBITRATORS

| Name | Public / Industry |
|----------------------|---------------------|
| Edward Kamenir, Esq. | Public Arbitrator |
| Philip W. Burge | Public Arbitrator |
| Frank K. Danzig | Industry Arbitrator |

Concurring Arbitrators' Signatures

Edward Kamenir
Edward Kamenir, Esq.

Philip W. Burge

Frank K. Danzig

Date of Decision: _____

Date Served: 06/20/94