

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

PaineWebber, Inc.

93-01636

Name of Respondents

Sang B. Lee
Kenneth R. Stauffer

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on April 23, 1993, Claimant PaineWebber, Inc. by and through their in-house counsel Garry J. Stegeland, Esq., alleged that on or about August 27, 1990, Respondent Sang B. Lee opened an account which enabled her to purchase securities, and completed a Consumer New Account Form. Claimant further alleged that on or about March 1, 1991, Respondents Sang B. Lee and Kenneth R. Stauffer opened an account with Claimant, and signed a Client's Agreement, which enabled them to trade and margin securities, at which time, in connection with the opening of this account, Respondents completed the Joint Account Agreements document, whereby they jointly and severally agreed "to be fully and completely responsible and liable for said account and to pay on demand any debit balance or losses at any time in this account". Claimant contended that also in connection with the opening of the joint account, on or about February 19, 1991, the Consumer New Account Form was completed, on which further indicated the joint tenancy status of this account. Claimant further contended that on February 13, 1991 Respondent Sang B. Lee purchased 525,000 Sharon Steel bonds for her account and subsequently transferred the bonds on March 14, 1991 to Respondents' joint account. Claimant asserted that there had been three distributions made on the Sharon Steel bonds in Respondents' account and in order to receive these distributions, the account must have owned the bonds on the payable dates whereby of the three distributions which were made to the Sharon Steel bondholders, the Respondents were only entitled to receive the second and third distributions. Claimant further asserted that the reason Respondents were not entitled to receive the first distribution is that in order to qualify to receive the initial distribution, it was necessary that they had to own these bonds on or before November 21, 1990 whereby Respondents did not purchase the Sharon Steel bonds until settlement date

February 13, 1991. Claimant further alleged that in September, 1991, after Respondents transferred their joint account to A.G. Edwards, Claimant discovered that the Respondents should not have been credited the initial distribution, at which time, the amount of this erroneous distribution plus margin interest in the amount of \$1.23 brought Respondents' debt to the aggregate amount of \$6,738.85. Claimant further contended that in an effort to amicably resolve this matter with the Respondents, Claimant wrote to Respondents fully explaining the Respondents' debt owed whereby Claimant's attempt to resolve this matter were unsuccessful. Claimant asserted that to date, Respondents have made no payments and the account continued to have an unsecured debit balance.

Respondents Sang B. Lee and Kenneth R. Stauffer, who appeared Pro Se, maintained that on February 6, 1991, Respondent Kenneth R. Stauffer purchased for Respondent Sang B. Lee 525,000 Sharon Steel bonds from Claimant PaineWebber, Inc. by and through William Money, whereby the purchase price was \$111,564.80, at which time, Claimant by and through Mr. Money explained that this was not the actual amount because they would be receiving three accumulated money distributions of \$29,250.26 thus bringing Respondents' actual cost of the bonds to \$82,314.50. Respondents further maintained that Claimant by and through Mr. Money told them that the commission that would be charged would be based on what their original broker had established with them whereby Respondents' original broker had given them a discount rate of 50%, at which time, Respondents' agreement with Claimant by and through Mr. Money was that they would continue to trade with Claimant as long as the established discount remained, otherwise, they would transfer their account to their original broker's new firm. Respondents contended that it turned out that Claimant by and through Mr. Money only executed the first trade at the 50% discount, whereby Claimant by and through W. Dougherty adjusted the commissions charged after Respondents insisted it be corrected. Respondents further contended that shortly thereafter their settlement with Claimant, the account showed a charge of \$6,737.12 without an explanation. Respondents asserted that at the time of the settlement with Claimant, the \$6,737.12 was mixed in with the rest of the settlement and Claimant did not say that the funds belonged to them, and subsequently when they switched their account to A.G. Edwards did Claimant say there was a mistake. Respondents further asserted that Claimant did not charge that they owed the money and when Respondents settled with Claimant for total resolution of their claim of mismanagement of their account by Mr. Money, this \$6,737.12 was part of the settlement whereby Respondents believed the matter to be closed. Respondents argued that Claimant by and through Mr. Money was cheating them by not giving them the agreed commission discount and misrepresenting the Sharon Steel bond purchase by stating they would receive the distributions, whereby, Respondents settled with Claimant, thus the claim should be denied.

RELIEF REQUESTED

Claimant PaineWebber, Inc. requested \$6,738.35 in actual damages, plus interest at the rate of 10% per annum from January 28, 1991 together with reasonable attorney's fees in the amount of \$673.83 and reimbursement of the NASD filing fee.

Respondents Sang B. Lee and Kenneth R. Stauffer requested the claim be denied.

AWARD

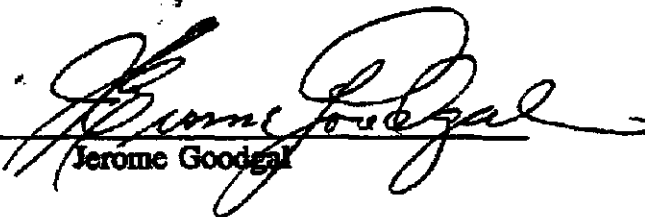
Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Jerome Goodgal, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on April 20, 1993 and by the Respondents on June 19, 1993.

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. Respondents Sang B. Lee and Kenneth R. Stauffer are liable and shall pay to the Claimant PaineWebber, Inc. the sum of \$6,737.12 in actual damages.
2. The Claimant's request for interest is denied.
3. The parties shall bear their respective costs, including attorney's fees.
4. The \$575.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant PaineWebber, Inc. shall be retained by the NASD, Inc.

AFFIRMATION

I, JEROME GOODGAL, 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.


Jerome Goodgal

DATE OF DECISION:

September 27, 1993

STATE OF: *New Jersey*

ss:

COUNTY OF: *Passaic*

On this *21st* day of *September* 19 *93*, before me personally appeared Jerome Goodgal to me known and known before me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.

Nathan S. Friedman

NATHAN S. FRIEDMAN
NOTARY PUBLIC OF NEW JERSEY
My Commission Expires May 20, 1997