

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Satya N. Gupta and Promila Gupta
Satya N. Gupta Custodian for Ashish Gupta

93-03352

Name of Respondent

Waterhouse Securities, Inc.

REPRESENTATION

For Claimants Satya N. Gupta, Promila Gupta, and Satya N. Gupta Custodian for Ashish Gupta ("Claimants"): Ralph A. Gant, Esq.

For Respondent Waterhouse Securities, Inc. ("Respondents"): Joshua M. Rubins, Esq. of the law firm of Satterlee Stephens Burke & Burke.

CASE INFORMATION

Statement of Claim filed: August 26, 1993.

Claimants' Submission Agreement signed on: September 15, 1993.

Statement of Answer filed by Respondent on: December 1, 1993.

Respondent's Submission Agreement signed on: December 1, 1993.

HEARING INFORMATION

Hearing Date/Session: March 18, 1994 - One Session

Hearing Location: National Association of Securities Dealers, Inc. offices located in New York City, New York.

CASE SUMMARY

Claimants alleged that because of the forced sale by Respondents of their Sciclone Pharmaceuticals, Inc. warrants, Claimants suffered losses in their accounts. Claimants further alleged that they were never notified by the Respondent, in a timely manner, about the warrants being called by Sciclone Pharmaceuticals, Inc. Claimants also alleged that Claimants phoned Respondent on July 27, 1993 to sell 1000 shares of Keith Group of Companies and were not made aware of the fact that Respondent was trying to contact Claimants. Further, Claimants alleged that a mailgram that had been sent to the Claimants on August 3, 1993, was incorrectly addressed and, therefore, did not reach Claimants in a timely manner.

Claimants further alleged on August 6, 1993, Claimants received a second mailgram that was sent by Respondent, when Claimants reached home at 5:00 p.m., and Claimants called Respondent at 5:15 p.m. to find out what the mailgram was about. Claimants alleged they were shocked to hear that Respondent had sold Claimants' shares of Sciclone Pharmaceuticals, Inc. at \$4.00 per share.

Respondent maintained that it is a discount brokerage organization which neither solicits transactions, nor offers advice concerning the purchase or sale of any security. Respondents further maintained that all orders are placed solely at the initiative and on the instructions of the customer, unless such action is authorized by Respondent to protect a customer's position, in the event of extraordinary events affecting a company's securities, when a customer cannot be reached.

Respondents further maintained that on July 15, 1993, Respondent's Reorganization Department was advised by the Depository Trust Company, where the warrant positions on behalf of the Claimants were held, that the warrants were being called for redemption on Monday, August 9, 1993. Respondents further maintained that they attempted to contact the Claimants; that the mailgram was not incorrectly addressed; that the address Respondent requested the mailgram be sent to matches the Claimants' address on their new account forms precisely; and that Respondent cannot account for the change on the copy of the mailgram that Claimants allegedly received.

Respondent also maintained that on the trade date, August 6, 1993, following a number of unsuccessful attempts to contact the Claimants, Respondent's senior management authorized the sale of 1500 Sciclone Pharmaceutical warrants at \$4.00 per share; that had no action been taken, the warrants would have been redeemed for 20 cents per share on the morning of August 9, 1993; and that the economic impact to the Claimants would have been severe.

RELIEF REQUESTED

Claimants requested an award against Respondent in the sum of \$8541.00.

Respondent requested that the Statement of Claim be dismissed in its entirety.

AWARD

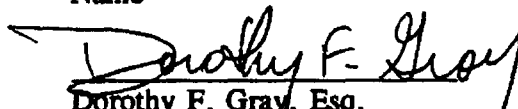
After considering the pleadings, the testimony and the evidence presented at the hearing, the undersigned arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent be and hereby is liable to Claimants in the amount of \$2745.00.
2. Each party shall bear their respective costs.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the arbitrator has determined that the NASD shall retain the \$75.00 non-refundable filing fee and \$200.00 hearing session deposit previously paid by Claimant.

Arbitrator's Signature
Name


Dorothy F. Gray, Esq.
Chairperson - Public Arbitrator

Date of Decision: April 15, 1994

NASD Date of Decision: April 22, 1994

STATE OF

S.S.: *mf*

COUNTY OF

On this 6 day of April, 1994, before me personally appeared **Dorothy F. Gray, Esq.** known to me to be the individual described in and who executed the foregoing instrument and be duly acknowledged to me that he/she executed the same

Carmen Ortiz Perez

CARMEN ORTIZ PEREZ
Notary Public, State of New York
No. 31-4802513
Qualified in New York County
Commission Expires Jan. 31, 1996