

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Gedaliah Zlatowitz

93-03919

Name of Respondent(s)

PaineWebber, Inc.
David Steadly

REPRESENTATION

For Claimant Rabbi Gedaliah Zlotowitz ("claimant") appeared Anthony J. Hom, Esq., Philadelphia, PA.

For Respondent PaineWebber, Inc. ("PaineWebber") and David Steadly ("Steadly") appeared Joseph Generelli, Esq. of PaineWebber's in-house counsel, New York, NY.

CASE INFORMATION

The Statement of Claim was on September 27, 1993.

Claimant's Submission Agreement was signed on September 14, 1993.

Joint Statement of Answer was filed by Respondents PaineWebber and Steadly on November 22, 1993.

PaineWebber's Submission Agreement was signed on November 9, 1993.

Respondent, David Steadly's Submission Agreement was signed on November 11, 1993.

HEARING INFORMATION

Hearing Date/Sessions: August 8, 1994 - 2 Sessions

The hearing was held at the National Association of Securities Dealers, Inc.'s offices located in New York City, New York.

CASE SUMMARY

Claimant alleged that he open an account with Respondent Steadly at the New York Branch office of PaineWebber in January 1992. Claimant also alleged that he advised Respondent Steadly that it was his first endeavor in the stock market; that he was starting a family; and that his investment goals were preservation of principal and long-term capital appreciation.

Claimant further alleged that Respondent Steadly recommended and effected the purchase of 1,000 shares of Power Spectra at \$3.00 per share on February 5, 1992 for a cost of \$3,189.65 and 1,000 shares of Power Spectra on February 20, 1992, at 3 3/4 per share for a cost of \$3,953.30 for a total cost of \$7,142.95; that Respondent Steadly effected the sale of \$2,000 shares of Power Spectra at the price of \$1.00 per share realizing proceeds of \$1,835.91, for a total loss of \$5,307.04; and that the total loss was \$5,307.04.

It was alleged by the claimant that respondent Steadly had no reasonable basis for making the Power Spectra recommendation and that such recommendation was unsuitable. Claimant also alleged that Respondent Steadly omitted to disclose the risks associated with Power Spectra and did not send Claimant any research reports.

Additionally, Claimant alleged that Respondent Steadly recommended and effected the purchase of 150 shares of Apton on January 21, 1992 at a price of \$10.75 for a cost of \$1,681.76; on June 4, 1992 Respondent Steadly recommended and effected the purchase of 100 shares of Apton at a price of \$15.00 for a total cost of \$1,566.94; and on September 16, 1992 Respondent Steadly recommended and effected the purchase of 150 shares of Apton at 17 1/2 for a cost of \$2,710.82. Claimant further alleged that he sold 350 shares of Apton allegedly at a price of 11 1/4 for a loss of \$1,460.77.

Claimant alleged that on or about March 3, 1992, Respondent Steadly recommended and effected the purchase of 200 shares of Health care Imaging Services at a price of 5 1/2 for a cost \$1,174.18 which was sold for \$96.25 for a loss of \$195.68. Claimant also alleged that on January 24, 1992, Respondent Steadly recommended and effected the purchase of 500 shares of Global Health

Services Fund at a price of \$15.00 for a cost of \$7,500.00 which was sold realizing a loss of \$2,500.00

Moreover Claimant alleged that the total realized and unrealized losses of \$9,463.49 were the result of Respondent's breach of their fiduciary duties, breach of contract, negligence, unsuitable trades and fraudulent misrepresentations. Claimant also alleged respondents violated the federal securities laws; engaged in unauthorized trading; violated Rule 401 of the NYSE Rules (Good Business Practices); Section 1 of the NASD, Inc. Rules of Fair Practice; the Know Your Customer Rules and the NASD Rules of Fair Practice (Duty to Supervise).

Respondent denied all allegations of wrongdoing asserted in the Statement of Claim. Respondents maintained that Claimant was a savvy, sophisticated, investor who called respondent Steadly on an unsolicited basis for almost one-half of all investments purchased. Respondents also maintained that Claimant was cognizant of the risks attendant to the investments complained of; that Claimant accepted those risks; and that Respondent Steadly provided Claimant with detailed written information about each of the four investments.

Respondents maintained that Claimant's account was opened in order to make an unsolicited purchase; that Claimant made additional unsolicited purchases within one month of opening the account; and that respondent Steadly recommended that Claimant invest in Apton, Global Health, Blockbuster Entertainment Company, and Power Spectra. Moreover, respondents maintained that at all times Steadly acted properly and in good faith towards Claimant and that he made suitable recommendations to Claimant and did not make any fraudulent misrepresentations. Further Respondents maintained that PaineWebber properly supervised Respondent Steadly at all times; that Claimant knew, understood and accepted the risks of the four investments that he has complained about in the Statement of Claim; and that Claimant's losses while his account was with PaineWebber were \$5,563.40, not \$10,000.00 as Claimant alleged.

Respondents maintained that Claimant failed to state a cause of action against Respondents; the federal securities law claims are barred by the applicable statute of limitations; Claimant is estopped by his own conduct from bringing this action against Respondents; and that the Statement of Claim is barred by the doctrines of laches, ratification and affirmance.

RELIEF REQUESTED

Claimant requested \$10,000 in compensatory damages plus interest from the date the losses were incurred to the date of the hearing plus attorneys fees, costs, and

PaineWebber and Steadly their costs and attorneys fees for defending this claim.

AWARD

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

1. All claims against the respondents be and hereby are denied.
2. All claims against the respondents for attorneys fees be and hereby are denied.
3. Each party shall bear their respective costs, including attorneys fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the arbitrator has determined that the following forum fees are assessed:

2 sessions x \$200.00 = \$400.00 - \$200.00 hearing session deposit = \$200.00.

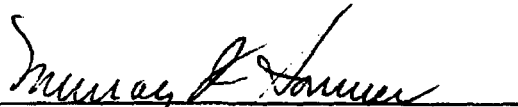
Claimant is assessed \$200.00 Claimant previously deposited \$200.00 with the NASD and owes a balance of \$0.00.

Respondents are jointly and severally assessed the sum of \$200.00 payable to the NASD.

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

Concurring Arbitrators's Signature

Name



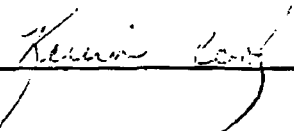
Murray I. Sommer, Esq.
Chairperson - Public

Date of Decision: September 27, 1994

STATE OF NEW YORK

COUNTY OF NEW YORK

On this 25 day of September, 1994, before me personally appeared MURRAY F. SOMMER known to me to be the individual described in and who executed the foregoing instrument and duly acknowledged to me that he/she executed the same.



KEVIN L. COOK
NOTARY PUBLIC, STATE OF NEW YORK
NO. 02C04838105
QUALIFIED IN WESTCHESTER COUNTY
MY COMMISSION EXPIRES NOV. 30, 1995