

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Kimberly R. Stefanik, Patricia Bailey
Donald Bailey and Robert Bailey

93-04872

Name of Respondents

Gregory Charles Spangler, Spangler Insurance & Investments
and Clearing Services of America, Inc.

REPRESENTATION

For Claimants Kimberly R. Stefanik, Patricia Bailey
Donald Bailey and Robert Bailey (collectively referred to as
"Claimants"): Michael A. Smerconish, Esq. of the law firm of
Beasley, Casey, Colleran, Erbstein, Thistle and Kline,
Philadelphia, PA

For Respondent Clearing Services of America, Inc. ("CSA"): Kenton
E. Knickmeyer, Esq. of the law firm of Thompson & Mitchell, St.
Louis, MO

Respondents Gregory Charles Spangler ("Spangler") and Spangler
Insurance & Investments ("Spangler Investments") were represented
by Gregory C. Spangler

CASE INFORMATION

Statement of Claim filed: November 23, 1993
Amended Statement of Claim filed: June 8, 1994
Claimants' Original Submission Agreement signed on: November 19,
1993. Claimants filed a second Submission Agreement which was
signed on: May 28, 1994

Statement of Answer of CSA to the Amended Statement of Claim filed:
December 2, 1994
CSA's Submission Agreement signed by H.H. Feldman, President on
November 28, 1994.

Spangler's Submission Agreement signed on: April 26, 1994
Spangler Insurance's Submission Agreement signed on: April 26, 1994
Respondents Spangler and Spangler Insurance Statement of Answer
filed on: April 27, 1994

HEARING INFORMATION

Hearing Dates/Sessions: June 5, 1995 - two sessions
June 6, 1995 - two sessions
November 13, 1995 - two sessions
November 14, 1995 - two sessions
November 15, 1995 - two sessions
January 4, 1996 - two sessions

Hearing Location: NASD District Office, Philadelphia, PA

CASE SUMMARY

Claimant, among other things, alleged that Spangler, Spangler Insurance and CSA (collectively referred to as "Respondents") deviated from the normal, customary and reasonable methods and standards of care in the financial investment business. Claimants alleged that Respondents executed transactions which were unsuitable for Claimants and contrary to their expressed objectives. Claimant Kimberly R. Stefanik ("Stefanik") alleged that Spangler and Spangler Insurance & Investments churned her accounts for their benefit. Claimants alleged that they were unsophisticated in investment matters and relied upon Respondents for investment counseling in their capacity as licensed professionals. Stefanik alleged that Spangler systematically drained each of her mutual funds and placed the proceeds into a margin account, the bulk of which was invested in U.S. Surgical and U.S. Surgical options. Stefanik maintained that Spangler induced her to open a margin account for her personal account as well as her retirement account. Stefanik maintained that Spangler failed to disclose the risks of his trading strategy and she alleged that Spangler repeatedly told her that there was little risk involved. Claimants alleged that Spangler represented to Claimants that he was placing them in a stable, profitable company with limited risks. Claimants alleged that Spangler had placed a disproportionate share of their net worth and placed it in U.S. Surgical. Stefanik also alleged that Spangler was making quick trades in her account and was employing complicated options strategies which she did not understand. Claimants alleged that each had spoken to Spangler and that he was aware of their limited experience in investing. Stefanik alleged that by October, 1992 Spangler had placed all of her net worth, current and retirement, in one investment - U.S. Surgical. Claimant Patricia Bailey alleged that by October 1992, Spangler had placed her entire net worth in U.S. Surgical. Claimant Donald Bailey alleged that he brought his small inheritance from his father's estate to Spangler and that Spangler eventually placed Donald Bailey's entire account

into U.S. Surgical. Claimant Robert Bailey came to Spangler with \$5,000 to invest and Spangler placed Robert Bailey's investment money entirely in U.S. Surgical. Claimants alleged the following causes of action: unsuitability, misrepresentation, churning and unauthorized trading and omission of material facts, that Respondents violated State and Federal Securities laws as well as the Rules of the NYSE and NASD, that Respondents breached their of fiduciary duties to Claimants.

Respondents categorically denied all allegations of wrongdoing and specifically maintained, among other things, that Claimants exercised control over their accounts and traded in U. S. Surgical at Stefanik's suggestion. Spangler maintained that although he recommended U.S. Surgical to Stefanik, Stefanik encouraged her other family members to invest in U.S. Surgical. Spangler maintained that the other Claimants were following the advice of Stefanik. Respondents maintained that Donald and Robert Bailey came to Spangler with the intention of investing solely in U.S. Surgical. Respondents maintained that Patricia Bailey did initially come to Spangler and Spangler Insurance seeking income producing investments. Respondents maintained that those were provided on her behalf, but that Patricia Bailey's investment goals changed in direct relationship to the active involvement of her daughter, Kimberly Stefanik, in her account. Respondents maintained that Stefanik infused money into her mother's account and controlled her mother's account.

Spangler maintained that Stefanik invested in U.S. Surgical only after carefully considering the investment and that when it performed extremely well she encouraged her mother, Patricia Bailey to also invest in U.S. Surgical. Respondents maintained that Claimants fully understood the risks associated with U.S. Surgical. Respondents maintained that all investments were suitable for Claimants and that there were neither material misrepresentation nor omissions of material facts. Respondents maintained that all transaction were authorized and that Claimants received all confirmation slips and monthly account statements. Respondents maintained that there was no churning in any of the Claimants' accounts. Respondents denied that Stefanik's holding of U.S. Surgical represented a large portion of Stefanik's assets. Although not an exhaustive list, Respondents maintained the following affirmative defenses: Claimants have failed to state a claim upon which relief can be granted; there was no fiduciary duty owed to Claimants, any duties owed were carried out; Claimants controlled their accounts; Claimants assumed the risks associated with the investments made for their accounts; the investing in Claimants' accounts was not excessive; there was no intent to defraud Claimants; there were no misrepresentations or omissions of a material fact; Claimants ratified each transaction; Claimants'

claim is barred by the doctrines of waiver and estoppel; Claimants' claim is barred by the relevant statute of limitations.

CSA maintained that it properly supervised its agent Spangler and his handling of Claimants' accounts.

RELIEF REQUESTED

Claimants requested compensatory damages in the sum of \$402,423.00, punitive damages in the amount of \$100,000.00; reimbursement for commissions and fees, interest, attorney's fees and costs associated with this arbitration.

Respondents requested that Claimants' claim be dismissed in its entirety. Respondents requested that they be awarded costs, fees, expenses and reasonable attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in 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. That Respondents Spangler and Spangler Insurance are jointly and severally liable to Kimberly R. Stefanik for damages sustained in account number 3HR-350141 and shall pay to Stefanik the sum of \$22,500. Respondent CSA is liable to Kimberly R. Stefanik for damages sustained in account number 3HR-350141 and shall pay to Stefanik the sum of \$7,500.
2. That Respondents Spangler and Spangler Insurance are jointly and severally liable to Kimberly R. Stefanik for damages sustained in account number 3HR-415985 and shall pay to Stefanik the sum of

\$60,000. Respondent CSA is liable to Kimberly R. Stefanik for damages sustained in account number 3HR-415985 and shall pay to Stefanik the sum of \$40,000.

3. That Respondents Spangler and Spangler Insurance are jointly and severally liable to Patricia Bailey and shall pay to Patricia Bailey the sum of \$18,750. Respondent CSA is liable to Patricia Bailey and shall pay to Patricia Bailey the sum of \$18,750.

4. That Respondent Spangler and Spangler Insurance are jointly and severally liable and shall pay to Donald Bailey the sum of \$6,000. Respondent CSA is liable and shall pay to Donald Bailey the sum of \$4,000.

5. That Claimant Robert Bailey's claim is denied in its entirety.

6. No pre judgment interest is awarded on the above amounts.

7. That Claimants' claim for punitive damages is denied in its entirety.

8. That the parties shall bear their respective costs, including attorney's fees, except as specifically addressed below under Forum Fees.

9. Any and all claims not specifically addressed are denied in their entirety.

FORUM FEES

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

12 hearing sessions X \$1,000 = \$12,000

Forum Fees Assessed Against: Respondent CSA

Respondent CSA is to pay forum fees in the amount of \$11,000 to the NASD, Inc. Respondent CSA is directed to refund to Claimants their hearing session deposit of \$1,000 previously filed, plus their filing fee of \$250.

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Concurring Arbitrators' Signatures
Name

Public/Industry

Robert F. Sanville
Robert F. Sanville - Chairperson

Public Arbitrator

Albert Mancini, Jr.

Public Arbitrator

Harold Wolf

Industry Arbitrator

Date of Award Served by the NASD:

January 24, 1996

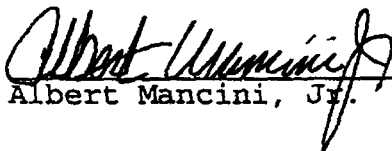
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Public/Industry

Robert F. Sanville - Chairperson

Public Arbitrator


Albert Mancini, Jr.

Public Arbitrator

Harold Wolf

Industry Arbitrator

Date of Award Served by the NASD:

January 22, 1996

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Concurring Arbitrators' Signatures
Name

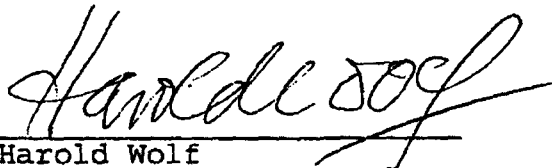
Public/Industry

Robert F. Sanville - Chairperson

Public Arbitrator

Albert Mancini, Jr.

Public Arbitrator


Harold Wolf

Industry Arbitrator

Date of Award Served by the NASD:

January 27, 1996