

AWARD

NASD REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Lawrence S. Zombek

vs.

Case No.
93-04902

Name of Respondents

Prudential Securities Inc
James Baroutas

REPRESENTATION

For Claimant, Lawrence Zombeck ("Claimant"), Paul M. Wrubel, Esq. from the law firm of Hollenberg Levin Solomon Ross & Belsky, located in Garden City., New York.

For Respondents, Prudential Securities Incorporated ("Prudential") and James Baroutas ("Mr. Baroutas")(collectively, "Respondents"), Gerald J. Kowalski, Esq. in-house counsel with Prudential located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on November 18, 1993.

Claimant's Submission Agreement was signed on November 15, 1993.

Joint Statement of Answer was filed by Respondents on January 18, 1994.

Prudential's Submission Agreement was signed on January 18, 1994.

Mr. Baroutas did not execute a Submission Agreement.

HEARING INFORMATION

Hearing Dates/Sessions:	August 15, 1995	-	2 sessions
	August 16, 1995	-	2 sessions
	November 6, 1996	-	2 sessions
	November 7, 1995	-	2 sessions
	April 29, 1996	-	2 sessions
	April 30, 1996	-	2 sessions
	June 24, 1996	-	1 session
	July 16, 1996	-	1 session
	July 17, 1996	-	2 sessions
	September 3, 1996	-	2 sessions

Hearing Location: NASD Regulation, Inc. offices located at 33 Whitehall Street, New York, New York.

CASE SUMMARY

Claimant states in his Statement of Claim that he initiated this arbitration to recover damages he sustained as a result of fraudulent and deceitful practices by Respondents. Claimant alleges that Respondent made unauthorized and discretionary trades, unsuitable trades, excessive trades, misrepresented and omitted statements of material facts to Claimant, failed to establish and implement appropriate supervisory procedures over Respondent Baroutas and failed to investigate investments recommended and directed by Mr. Baroutas for Claimant.

Claimant also alleges that after obtaining approximately \$900,000 from the refinance of real estate holdings, he deposited in excess of the amount in an account with Prudential. Claimant further alleges that he informed Respondents that he wanted to preserve his capital and to keep his investment liquid because he intended to purchase a house in the near future and because his real estate business was losing money. Claimant contends that Respondents soon thereafter began to invest his funds in speculative, unsafe and illiquid securities and that these investments consisted of junk bonds and various options trading. Claimant also contends that he incurred substantial losses in the amount of \$172,318.29 and that in most cases, Respondents failed to provide Claimant with prospectuses or advice regarding the nature of the investments.

Respondents deny each and every allegation asserted by Claimant and contend that the transactions in Claimant's account were suitable for, authorized by, and ratified by Claimant. Respondents also contend that all of the information on Claimant's new account form were provided to Mr. Baroutas by Claimant and that the only difference was the level option trading sought. Respondents further contend that Claimant's primary interest was for long term growth and speculation, not just safe, secure investments.

Respondents maintain the Mr. Baroutas did not have discretion over Claimant's account. Respondents also maintains that each transaction was discussed in detail with Claimant and were consistent with Claimant's diversified investment objectives. Respondents further maintain that Claimant did not complain to Mr. Baroutas' manager during the period of the alleged wrongdoing.

Respondents contend that Claimant's claims are barred by applicable statutes of limitations.

RELIEF REQUESTED

Claimant requests an award of \$172,318.29, interest at a rate of nine percent from January 1, 1988, costs, expenses and disbursements including reasonable attorney's fees and for such other relief as the Panel deems just and proper.

Respondents request that the Panel dismiss the claim in its entirety and assess all costs against Claimant.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that the Award in this matter may be executed in counterpart copies and have agreed to receive conformed copies of the Award while the original remains on file with the NASD Regulation.

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 Prudential Securities Incorporated is hereby liable and shall pay Claimant Forty One Thousand Nine Hundred and Fifty Dollars and Seventy One Cents (\$41,950.71).
2. Respondents Prudential Securities Incorporated is further liable to Claimant and shall pay Claimant interest at a rate of nine percent (9%) from December 1993 until paid.
3. All claims against Respondents James Baroutas are dismissed.
4. All other claims for relief are denied.

FORUM FEES

Pursuant to Rule 10332 of the *Code of Arbitration Procedure*, the following Forum Fees are assessed against Respondent Prudential Securities Incorporated.

Non-refundable Filing Fee:	\$200.00
Hearing Sessions Fees:	\$13,500.00 (18 hearing sessions at \$750.00 per session)
Total Fees:	\$13,700.00


1. Claimant previously deposited \$950.00 and is entitled to a refund in that amount.
2. Respondent Prudential Securities Incorporated shall satisfy the fees assessed by reimbursing Claimant \$950 and by remitting the balance, \$12,750, to NASD Regulation.
3. Respondents were assessed fees totalling \$1,500.00 for the postponement of the July 5 and 6, 1994 and June 12 and 13, 1995 hearing dates. Respondents paid \$750.00 and owe a balance of \$750.00.
4. Claimant requested and was granted and assessed fees totalling \$1,500.00 for the postponement of the September 19 and 20, 1994 and January 23 and 24, 1996 hearing dates. These fees have been paid.

Fees are payable to the NASD Regulation, Inc.

ARBITRATION PANEL

Martin Jay Siegel, Esq.	-	Public Chairperson
Hedy Voigt, Esq.	-	Public Panelist
Thomas J. Murray, Jr.	-	Industry Panelist

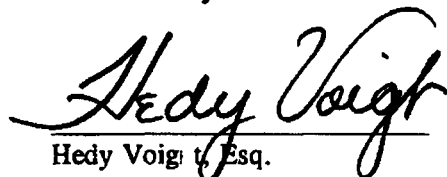
Concurring Arbitrator's Signature


Hedy Voigt, Esq.

Date of Decision: November 4, 1996

AFFIRMATION

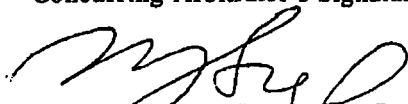
I, Hedy Voigt, Esq., do hereby affirm pursuant to Article 7505 of the Civil Procedure Law and Rules, that this is my decision in the above captioned matter.


Hedy Voigt, Esq.

ARBITRATION PANEL

Martin Jay Siegel, Esq.	-	Public Chairperson
Hedy Voigt, Esq.	-	Public Panelist
Thomas J. Murray, Jr.	-	Industry Panelist

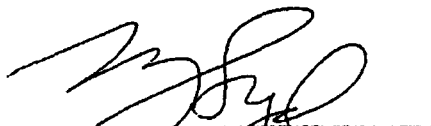
Concurring Arbitrator's Signature


Martin Jay Siegel, Esq.

Date of Decision: November 4, 1996

AFFIRMATION

I, Martin Jay Siegel, Esq., do hereby affirm pursuant to Article 7505 of the Civil Procedure Law and Rules, that this is my decision in the above captioned matter.


Martin Jay Siegel, Esq.

ARBITRATION PANEL

Martin Jay Siegel, Esq.	-	Public Chairperson
Hedy Voigt, Esq.	-	Public Panelist
Thomas J. Murray, Jr.	-	Industry Panelist


Concurring Arbitrator's Signature


Thomas J. Murray, Jr.

Date of Decision: November 4, 1996

AFFIRMATION

I, Hedy Voight, Esq., do hereby affirm pursuant to Article 7505 of the Civil Procedure Law and Rules, that this is my decision in the above captioned matter.


Thomas J. Murray, Jr.