

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Henry K. Saunders Trust, H. Reed Saunders
Rachel G. Saunders
H. Reed & Rachel G. Saunders
Craig A. Saunders

94-00247

Name of Respondent

Noreen B. Davidson

REPRESENTATION

For Claimants Henry K. Saunders Trust, H. Reed Saunders
Rachel G. Saunders, H. Reed & Rachel G. Saunders, and
Craig A. Saunders (collectively "Claimants"): Anthony W. Hawks,
Esq., Rust & Rust, P.C., of Fairfax, VA.

For Respondent Noreen Davidson ("Respondent"): Janet K. DeCosta,
Attorney at Law, of Washington, D.C.

CASE INFORMATION

Statement of Claim filed: January 21, 1994.
Answer To Counterclaim: February 28, 1994
Claimant H. Reed Saunders as Trustee of the Henry K. Saunders Trust
Submission Agreement signed on: April 13, 1994
Claimant H. Reed Saunders Submission Agreement signed on January
22, 1994.
Claimant Craig A. Saunders Submission Agreement signed on January
22, 1994.
Claimant Rachel G. Saunders Submission Agreement signed on January
22, 1994.

Answer To The Statement of Claim, Affirmative Defenses and Counter-
Claim filed on: February 27, 1995.
Respondent's Submission Agreement signed on: February 9, 1995.

HEARING INFORMATION

Pre-Hearing Conference: June 13, 1995/one session.

Hearing Dates/Sessions: August 16, 1995/two sessions; August 17, 1995/two sessions; August 18, 1995/two sessions; October 24, 1995/one session.

Hearing Location: National Association of Securities Dealers, Executive Office, Washington, D.C.

CASE SUMMARY

Claimants alleged, among other things, that they opened accounts at Capitol Securities and purchased shares of Trans World Airlines, Inc. Debentures ("TWA Bonds") for the Henry K. Saunders Trust, Rachel Saunders, Craig Saunders and H. Reed and Rachel Saunders. Claimants alleged that based on misrepresentations made by Respondent's husband, Herb Davidson ("Mr. Davidson") they purchased the TWA Bonds. Claimants alleged that Mr. Davidson did not adequately review Claimants portfolios to assess the suitability of these purchases. Claimants alleged that Respondent violated Article III, Section 2 of the NASD Rules of Fair Practice, as well as Virginia Code Section 13.1-522. Claimants alleged that Respondent was in partnership with Mr. Davidson and liable for his actions. Claimants alleged that Respondent is responsible for the damages they have suffered.

Respondent denied all allegations of wrongdoing alleged by Claimants. Respondent maintained, among other things, that Mr. Davidson fully disclosed the nature of the investments in TWA Bonds, and maintained that the investments were suitable for the Claimants. Respondent further maintained that Claimant H. Reed Saunders is a sophisticated investor and that Claimants Rachel Saunders and Craig Saunders relied solely upon representations made by H. Reed Saunders. Respondent also maintained that she had neither supervisory responsibility relating to the purchase of the TWA Bonds nor was she in a partnership relationship with Mr. Davidson. Respondent maintained that she should not be held liable in these transactions.

RELIEF REQUESTED

Claimants requested, at the hearing, rescission of the sales of 220,000 shares of TWA Bonds and compensatory damages in the amount of \$34,947.00 plus prejudgment interest, costs and attorney's fees for a total of \$50,000.00. In addition, Claimants requested \$100,000.00 punitive damages.

Respondent requested that the Statement of Claim be denied and Respondent be awarded her costs and attorney's fee.

OTHER ISSUES CONSIDERED & DECIDED

All Motions to Dismiss were denied by the Panel. The Panel based its Award on the merits of this case and determined that no post-hearing briefs were necessary.

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. Claimants' Claims are denied in their entirety;
2. That Claimants' Claim for punitive damages is denied;
3. Respondent's Counterclaim is denied.
4. The parties shall bear their respective costs and attorney's fees except as specifically addressed herein;
5. That any and all relief not specifically addressed herein is denied in its entirety.

OTHER COSTS

Respondent shall pay \$180.00 administrative fee for the duplication of hearing tapes to the National Association of Securities Dealers, Inc.

FORUM FEES

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

1 Prehearing session	x	\$300 = \$ 300
7 sessions	x	\$750 = <u>\$5250</u>
		\$5550

Forum fees are assessed against Claimant and Respondent in equal amounts. Claimants' receive credit for their hearing deposit of \$750 leaving an assessment of \$2,025. Respondent has an assessment of \$2,775.

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

Concurring Arbitrators' Signatures

DATE:

10/30/95

NAME:

Virginia S. Carson
Virginia S. Carson, Esq., Chairperson
Public Arbitrator

Frederick H. Florschutz
Public Arbitrator

Michael P. Gwinn
Industry Arbitrator

Date Award Served by the NASD: October 31, 1995

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

Concurring Arbitrators' Signatures

DATE:

NAME:

Virginia S. Carson, Esq., Chairperson
Public Arbitrator

10/27/95

Frederick H. Flörschutz
Frederick H. Flörschutz
Public Arbitrator

Michael P. Gwinn
Industry Arbitrator

Date Award Served by the NASD: October 31, 1995

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

Concurring Arbitrators' Signatures

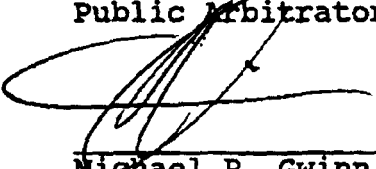
DATE:

NAME:

Virginia S. Carson, Esq., Chairperson
Public Arbitrator

Frederick H. Florschutz
Public Arbitrator

Oct. 27, 1995



Michael P. Gwinn
Industry Arbitrator

Date Award Served by the NASD: October 31, 1995