

NASD AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Name of Claimant

Kitty R. Chestnutt,

and

No. 94-0813

Name of Respondents

**Dean Witter Reynolds, Inc., and
Kinch Meyer, Jr.**

REPRESENTATION OF PARTIES

Kitty R. Chestnutt ("Claimant") was represented by Alan E. McNally, Esq. of and Joe Heflin, Esq. of Lubbock, TX.

Dean Witter Reynolds, Inc. and Kinch Meyer, Jr. ("Respondents") were represented by Tim A. VerDuin Vice-President and Senior Attorney at Dean Witter Reynolds, Inc.

CASE INFORMATION

The Statement of Claim was filed on or about February 25, 1994. The Amended Statement of Claim was filed on or about April 30, 1996. Submission Agreement of Claimant was signed on February 26, 1994.

The Joint Statement of Answer was filed by Respondents on or about May 23, 1994. Submission Agreement of Respondent Dean Witter Reynolds, Inc. was signed on May 9, 1994 by Tim A. VerDuin, Vice President and Senior Attorney. Submission Agreement of Respondent Kinch Meyer, Jr. was signed on May 10, 1994.

HEARING INFORMATION

The hearing was held on May 7, 1996 for two (2) sessions and on May 8, 1996 for two (2) sessions for a total of four (4) sessions.

CASE SUMMARY

Claimant alleged that in 1988 she opened a brokerage account with the Lubbock Texas office of Respondent Dean Witter Reynolds, Inc. with its broker Respondent Kinch Meyer, Jr. Shortly after opening the account, Claimant invested stock and cash in her account at Respondent Dean Witter Reynolds, Inc. Later in 1988, Claimant's then husband began trading in her account without authorization of Claimant. The nature of the trading was alleged to be highly speculative option trading. Over a period of months or years thereafter, the value of Claimant's account fluctuated violently. Claimant further alleged that Claimant asked Mr. Meyer not to accept trades from her former husband and her requests were ignored.

Respondents denied the allegations set forth in the Statement of Claim. Respondents specifically stated that all trading which occurred in Claimant's account was directed and authorized by Claimant. Respondents further stated that all of the trading which occurred in Respondent's account about which she now complains were completely unsolicited and were not recommended by Respondents.

RELIEF REQUESTED

Claimant requested an award in the amount of actual damages in excess of \$150,000.00, punitive damages in the amount of \$300,000.00, all cost and expenses reasonable relating to the arbitration and reasonable attorneys' fees.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded costs and expenses.

OTHER ISSUES CONSIDERED & DECIDED

Initially, Claimant's Statement of Claim included additional Respondents. On February 10, 1995 Claimant reached a settlement with several of these Respondents. On February 10, 1995 Claimant dismissed the action as to all remaining Respondents except Dean Witter Reynolds, Inc. and Kinch Meyer, Junior.

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 the Respondents Dean Witter Reynolds, Inc. and Kinch Meyer, Jr. are jointly and severally liable to and shall pay Claimant Kitty R. Chestnutt \$20,000.00 (twenty thousand dollars and no cents) in compensatory damages;
- (2). That the Respondents Dean Witter Reynolds, Inc. and Kinch Meyer, Jr. are jointly and severally liable to and shall pay Claimant Kitty R. Chestnutt \$10,000.00 (ten thousand dollars and no cents) for attorneys fees;
- (3). That other than forum fees which are addressed below, all other relief not specifically awarded is hereby denied.

FORUM FEES

Forum fees are calculated at the rate of \$750. 00 per hearing session and \$300 for each prehearing conference, if any. There were four (4) sessions x \$750. 00 = \$3,000. 00 in forum fees. Pursuant to §43(b) a hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

All forum fees are assessed jointly and severally against Respondents Dean Witter Reynolds and Kinch Meyers, Junior. The director of Arbitration for the NASD or her designee initially waived the non-refundable filing fee in the amount of \$300.00 and the initial hearing session deposit in the amount of \$750.00 based upon the financial need of the Claimant. Both of those fees are now due to the NASD. The Respondents Dean Witter Reynolds and Kinch Meyer, Junior are now assessed the \$300.00 filing fee in addition to the \$3,000.00 due for hearing session for a total due the NASD of \$3,300.00. Pursuant to §43(c) of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("NASD") the surcharges imposed pursuant to §45.

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

Dated:

/s/ Douglas E. Pierce
Douglas Pierce
Public Arbitrator, Presiding Chair

July 18, 1996

/s/ Ned B. Young
Ned B. Young
Industry Arbitrator

July 25, 1996

/s/ Carroll Galbreath
Carroll Galbreath
Public Arbitrator

July 17, 1996

Date of Service by the NASD: July 29, 1996