

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

John Jones

vs.

Case No.
94-01637

Name of Respondents

Douglas Marc Reiner/Reinowitz
J. Gregory & Company, Inc.

REPRESENTATION

For Claimant, John Jones ("Claimant"), Adolph D. Seltzer, Esq., Attorney at Law located in New York, New York.

For Respondent, J. Gregory & Company, Inc. ("J. Gregory"), Lorette D. Farris, Compliance Officer, of J. Gregory.

For Respondent, Douglas Reinowitz ("Reinowitz"), Darren Lampert, Esq., of the law firm Lampert and Lampert located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on April 29, 1994.

Claimant's Submission Agreement signed on April 29, 1994.

Statement of Answer was filed by J. Gregory on September 15, 1994

Respondent J. Gregory's Submission Agreement was signed on November 3, 1994.

Statement of Answer was filed by Reinowitz on September 13, 1994.

Respondent Reinowitz' Submission Agreement was signed on August 1, 1994.

HEARING INFORMATION

Hearing Date/Sessions: November 9, 1995 - 2 sessions.

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

CASE SUMMARY

Claimant alleged that Reinowitz, an account representative employed by J. Gregory, on or about March 29, 1993 and July 21, 1993, induced Claimant to purchase 8300 shares of Artagraph Reproduction

Technology ("Artagraph"). Claimant maintained that Reinowitz fraudulently induced him to purchase Artagraph by falsely representing that Artagraph was a preferred safe stock with a sure yield of twelve per cent a year, and that Artagraph was a stable and safe company. Claimant alleged that Reinowitz deliberately failed to advise him that Artagraph was a relatively new company and that the claimed twelve per cent dividend was actually non-cumulative. Claimant alleged that Reinowitz failed to inform Claimant that Artagraph was a speculative investment with a high degree of risk. Claimant alleged that Reinowitz's action this was in violation of Section 10(b)5 of the 1934 Act, and Rule 10(h)5 promulgated thereunder. Claimant further alleged that on or about December 12, 1993, Reinowitz sold 2000 of the 8300 Artagraph shares owned by Claimant which resulted in a loss of approximately \$4,396.00.

Claimant maintained that Reinowitz knew of Claimant's desire to only buy a preferred stock that was safe and would yield a steady stream of income, and that the purchase of Artagraph was unsuitable and inconsistent with Claimant's investment objectives which were known to Reinowitz. Claimant alleged that he had a net worth of \$150,000 at the time of the purchase and that this was known to Reinowitz.

Claimant alleged that Respondent J. Gregory failed to properly discharge its duties by allowing Claimant's account to be traded in reckless disregard of Claimant's stated investment objectives, in that, J. Gregory and Sons failed to supervise Claimant's account and its employee Reinowitz, allowed Reinowitz to act in a reckless manner; and intentionally disregarded Claimant's best interests, knowing that Claimant was retired, elderly, naive, and an unsophisticated investor. Thus, Claimant alleges that Respondent J. Gregory and Sons breached its fiduciary duty to Claimant, in violation of NYSE Rules 342, 405, and 408, Rule 10b-5 and Section 10(b) of the Securities Act of 1934..

Respondents maintained that they did not have discretionary authority over Claimant's account and that, Claimant controlled trading in the account at all times. Respondents alleged that Claimant made representations to them that he was experienced in Nasdaq and over-the-counter stocks and was aware of the accompanying risks of investment. Respondents alleged that Claimant knowingly assumed the risk of trading in securities of this kind, and that Claimant knowingly split the funds in his account to use approximately half for higher risk income with growth stocks, leaving the remaining funds for safer government bond funds. Respondents maintained that Claimant ratified his transactions with Respondent by failing to complain to any supervisor at J. Gregory regarding any aspect of his transactions. Respondents also alleged that Respondent J. Gregory maintained its supervisory role over Reinowitz in conformity with standard industry practices.

Respondents alleged that Claimant's losses were caused by market forces, which were uncontrollable by Respondents and not by error, omission, representation or action. Respondents claimed that Claimant made an independent decision to disregard Reinowitz's advice to sell all or a portion of his Artagraph holdings on or about November 22, 1993. Accordingly, Respondents allege that Claimant was contributorily negligent and failed to exercise his own due diligence.

In addition, Respondents alleged that Claimant may not maintain any cause of action predicated upon alleged violation of rules of the New York Stock Exchange or of the National Association of Securities Dealers, Inc, and that Claimant failed to mitigate any of his damages.

RELIEF REQUESTED

Claimant requested damages in an amount to be determined, but not less than \$24,000.00, with interest, costs, disbursements and reasonable attorney's fees.

Respondent J. Gregory requested that the Statement of Claim be dismissed and for an award of costs and reasonable attorney's fees.

Respondent Reinowitz requested that the Statement of Claim be dismissed and that the panel award him costs and reasonable attorney's fees.

OTHER ISSUES CONSIDERED & DECIDED

The parties in attendance at the hearing 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 copy of the Award while the original remains on file with the NASD.

Respondent J. Gregory did not appear at the hearing and based upon the submissions identified by the NASD, the panel proceeded with the hearing pursuant to Sections 25 and 29 of the *Code of Arbitration Procedure* ("Code"). Subsequent to the hearing the panel was informed that J. Gregory had filed a Petition in Bankruptcy in United States Bankruptcy Court on October 27, 1995. The NASD subsequently informed the parties by letter dated January 31, 1996 that J. Gregory had filed a Petition in Bankruptcy, that this matter was stayed as to that Respondent, and that Claimant should inform the NASD whether he wishes to proceed against Reinowitz. By letter dated January 31, 1996, counsel for Claimant indicated that 1) he had received the copy of the Bankruptcy Petition on January 31, 1996; and 2) that Claimant intended to proceed against Respondent Douglas Reinowitz and rest upon the evidence presented at the November 9, 1995 hearing.

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. All claims against Respondent Reinowitz are dismissed.
2. All other claim for relief are denied.

FORUM FEES

Pursuant to Section 43(c) of the *Code*, the following Forum Fees are assessed and shall be borne equally by the parties.

Non-refundable Filing Fee:	\$100.00
Hearing Session Fees:	\$800.00 (2 sessions @ \$400.00 per session)
Total Fees:	\$900.00

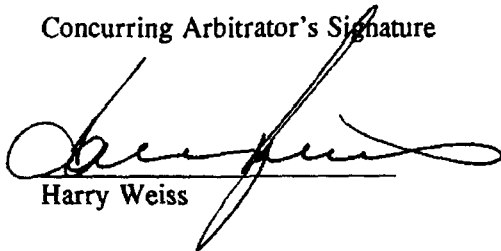
1. Claimant previously paid \$500.00 and owes nothing.
2. Respondent Reinowitz is assessed \$400.00.

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

ARBITRATION PANEL

Harry Weiss	-	Public Chairperson
Michel J. Landron, Esq.	-	Public Panelist
Joseph J. Cassidy	-	Industry Panelist

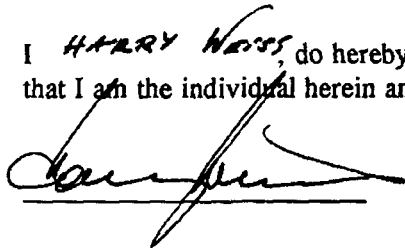
Concurring Arbitrator's Signature


Harry Weiss

NASD's Date of Decision: March 7, 1996

AFFIRMATION

I HARRY WEISS, do hereby affirm pursuant to Article 7507 of the Civil Procedure Law & Rules, that I am the individual herein and who executed this instrument which is my award.


Harry Weiss

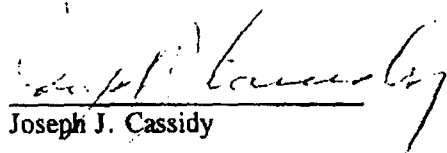
1. Claimant previously paid \$500.00 and owes nothing.
2. Respondent Reinowitz is assessed \$400.00.

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

ARBITRATION PANEL

Harry Weiss	-	Public Chairperson
Michel J. Landron, Esq.	-	Public Panelist
Joseph J. Cassidy	-	Industry Panelist

Concurring Arbitrator's Signature

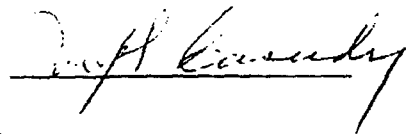


Joseph J. Cassidy

NASD's Date of Decision: March 7, 1996

AFFIRMATION

I, Joseph J. Cassidy, do hereby affirm pursuant to Article 7507 of the Civil Procedure Law & Rules, that I am the individual herein and who executed this instrument which is my award.



1. Claimant previously paid \$500.00 and owes nothing.


2. Respondent ~~Reinowitz~~ ^{J. Greenberg & Co.} is assessed \$400.00.

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

ARBITRATION PANEL

Harry Weiss	-	Public Chairperson
Michel J. Landron, Esq.	-	Public Panelist
Joseph J. Cassidy	-	Industry Panelist

Concurring Arbitrator's Signature


Michel J. Landron, Esq.

NASD's Date of Decision: March 7, 1996

AFFIRMATION

I, ~~Michel J. Landron~~ ^{Michel J. Landron}, do hereby affirm pursuant to Article 7507 of the Civil Procedure Law & Rules, that I am the individual herein and who executed this instrument which is my award.

