

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Irwin K. Kline

95-04174

Name of Respondents

Gilford Securities Inc.
Martin J. Rabovich

REPRESENTATION

Claimant Irwin K. Kline ("Claimant") was represented by Jeffrey G. Pittell, Esq., New York, NY.

Respondents Gilford Securities, Inc. ("Gilford") and Martin J. Rabovich ("Rabovich") were represented by Michael Kalmus, Esq., Kalmus & Martuscello, New York, NY.

CASE INFORMATION

The Statement of Claim was filed August 31, 1995.

Claimant's Uniform Submission Agreement was signed June 26, 1995.

The Joint Statement of Answer for Gilford and Rabovich (collectively "Respondents") was filed October 23, 1995.

Gilford's Uniform Submission Agreement was signed October 20, 1995.

Rabovich's Uniform Submission Agreement was signed October 20, 1995.

HEARING INFORMATION

Hearing Dates/Sessions: November 22, 1996/two sessions
February 27, 1997/two sessions

Hearing Location: NASD Regulation District Office
Philadelphia, PA

CASE SUMMARY

Claimant alleged that Respondent Gilford failed to supervise Account Executive Rabovich, who misrepresented the risk, liquidity and financial backing of International Canine Genetics ("ICG") in which Gilford was an underwriter and market maker. Moreover, Claimant alleged that Respondents failed to follow other directives of Claimant such as he did not want his brokerage investments to be placed in securities that had limited marketability or were illiquid. Claimant alleged that Rabovich was informed that Claimant's investments be liquid so they could be sold quickly if a decline in value began and Rabovich acknowledged this condition and agreed to abide by it.

Claimant alleged that Respondents induced him to purchase ICG, a company that specializes in fertility and breeding products, as an initial public offering in March, 1993. Claimant alleged that based on the misrepresentations and incessant urging of Respondents, he continued to buy ICG in the after market in March, April and May of 1993 accumulating a position of 15,000 shares. Claimant alleged that in August 1993, after Respondents informed him that ICG has dropped significantly, Claimant directed Respondents to liquidate his portfolio and especially to sell all positions in ICG. Claimant alleged that Respondents failed to do so. Claimant alleged that he transferred his account out of Gilford in December, 1993 and ultimately sold the shares of stock which had significantly diminished in value as there was no active market for ICG.

Respondents maintained that the Claimant is a knowledgeable and experienced investor with over 20 years experience. Respondents further maintained that at the time Claimant transferred his account to Gilford he stated that his objectives were growth and speculation. Most importantly, Respondents maintained when Claimant purchased ICG in March of 1993, he received a prospectus because it was an initial public offering with disclosures stating that the purchase of ICG was a risky investment and should not be purchased by anyone who could not afford to lose their entire investment. Respondents maintained that prior to receiving the prospectus, Claimant was mailed a red herring or preliminary prospectus by the broker. Respondents maintained that while the Claimant alleged that he never received a prospectus, on both confirmation slips, it is clearly noted that the prospectus was mailed under separate cover. Respondents also maintained that Claimant was clearly aware of the risk in purchasing a low priced IPO such as ICG because his portfolio had included other securities such as limited partnerships that were illiquid. Thus, Respondents maintained that Claimant was keenly aware that after purchasing ICG there may, in fact, be a lack of after-market or demand for ICG.

Rabovich denied that he made any misrepresentations to Claimant and all of his statements and representations were true, and that ICG just did not perform as it was hoped. The Respondents also denied a failure to execute any of Claimant's directives because after Claimant purportedly told Rabovich to liquidate his account, Claimant changed his mind and continued to buy securities and an initial public offering at Gilford, as well as add cash to the account.

Finally, Respondents contend that Claimant is extremely knowledgeable and sophisticated as evidenced by the fact that at the same time he had his Gilford account, he also had a securities accounts at Goldman Sachs, Sands Brothers, Ladenburg Thalman and Oppenheimer. Respondents further contended that the allegations are hollow and that the Claimant unsuccessfully made the same allegations in a NASD arbitration two years ago against Merrill Lynch alleging that the broker misrepresented the liquidity of an investment.

RELIEF REQUESTED

Claimant requested actual damages in an amount no less than \$89,553.00, plus interest and commissions paid; punitive damages; the costs and expenses of this arbitration including attorney's fees.

Respondents requested that the claim be dismissed in its entirety and an award made in their favor.

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 and post hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. That the Statement of Claim is denied.
2. That the claim for punitive damages is denied.
3. That each party shall bear its own expenses.
4. That any and all relief not specifically addressed herein is denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

4 sessions x \$500.00 = \$2,000.00

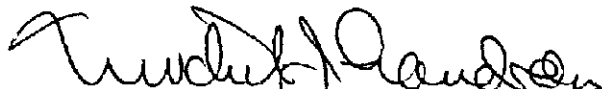
The Forum Fees are assessed at \$1,000.00 to Claimant and \$1,000.00 to Respondents, jointly and severally. Claimant is to receive credit for the \$500.00 hearing session deposit previously submitted to the NASD Regulation, leaving a \$500.00 net assessment due from Claimant. Respondents have a net assessment due of \$1,000.00.

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

DATE

CONCURRING ARBITRATORS' SIGNATURES

4/23/97



Michel J. Landron, Chairman
Public Arbitrator

Jay D. Goldstein
Public Arbitrator

Frank T. Salera
Industry Arbitrator

Date Decision Served by NASD Regulation: April 29, 1997

OTHER ISSUES CONSIDERED & DECIDED

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CONCURRING ARBITRATORS' SIGNATURES

25 April 1997

Michel J. Landron, Chairman
Public Arbitrator

Jay D. Goldstein, Arbitrator
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Public Arbitrator

Frank T. Salera
Industry Arbitrator

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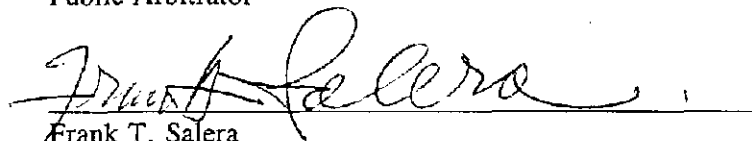
DATE

CONCURRING ARBITRATORS' SIGNATURES

Michel J. Landron, Chairman
Public Arbitrator

Jay D. Goldstein
Public Arbitrator

4-24-97


Frank T. Salera
Industry Arbitrator

Date Decision Served by NASD Regulation: April 29, 1997