

696
9606067
N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

Frank and Mildred Kregloski

95-04350

Name of Respondents

Chemical Investor Services, Inc.
Gary Stefanski

© National Association of
Securities Dealers, Inc.

All Rights Reserved

CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on September 12, 1995, Claimants Frank and Mildred Kregloski ("Claimants"), through their representative and counsel, Richard W. Vallario, Esq., located in Nutley, NJ, alleged that upon the advice of Respondent Gary Stefanski ("Stefanski"), a registered representative of Carteret Savings, a successor to Respondent Chemical Investor Services, Inc., they made three purchases of Colonial Utilities Fund Class B, for a total investment of \$60,032.16. Claimants further alleged that they had informed Respondents that their investment objectives were to receive a reasonable rate of return without any risk of loss to the principal. Claimants contended that they had no prior investment experience and did not understand that the value of their investment, specifically the principal balance, was subject to fluctuation. Claimants further contended that Stefanski misrepresented and misled Claimants as to the expected rate of return in the Fund, and failed to disclose or explain numerous errors on statements or why the purchases were made on a staggered basis. Claimants alleged that as a result of the above, they have suffered a loss for which the Respondents should be held liable.

Respondents Chemical Investor Services, Inc. and Gary Stefanski, through their representative and counsel, Frank J. Cuccio, of Bressler, Amery & Ross, located in Morristown, NJ, maintained that Claimants opened an account with them and had previously invested in a Collateralized Mortgage Obligation ("CMO"). Respondents further maintained that at the time they opened their account, their CMO was being prepaid by the mortgagors and that as a result, Claimants were receiving a return of their principal, which they sought to reinvest. Respondents contended that Claimants' investment objectives included periodic income payments, a hedge against inflation and some potential for growth, and that Stefanski recommended Colonial based on these objectives. Respondents further contended that Stefanski fully discussed Colonial with Claimants and provided the prospectus, which disclosed the nature, charges and risks associated with the investment. Respondents maintained that Claimants made their own decisions to purchase Colonial, and that they received trade confirmations and an additional prospectus after each transaction. Respondents further maintained that as a result of the above, they should not be held liable.

9606067

RELIEF REQUESTED

Claimants Frank and Mildred Kregloski, requested \$7,049.12 in actual damages, plus interest and costs.

Respondents Chemical Investor Services, Inc. and Gary Stefanski, requested that the claims of the Claimant be dismissed and that they be awarded the costs associated with this arbitration.

AWARD

Pursuant to Section 13 of the NASD, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Robert D. Owen, was selected to review the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimants Frank and Mildred Kregloski on August 9, 1995, and by the Respondents Chemical Investor Services, Inc. on November 20, 1995, and Gary Stefanski on November 15, 1995.

And, the Arbitrator, having considered the proof of the parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The claims of the Claimants Frank and Mildred Kregloski against Respondents Chemical Investor Services, Inc. and Gary Stefanski are dismissed in their entirety.
2. The parties shall bear their respective costs.
3. The \$150.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimants Frank and Mildred Kregloski shall be retained by the NASD, Inc. The Respondents Chemical Investor Services, Inc. and Gary Stefanski shall pay to the Claimants Frank and Mildred Kregloski \$150.00, as reimbursement of the filing fee.

9606067

AFFIRMATION

I, **ROBERT D. OWEN**, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.

A handwritten signature in cursive script, appearing to read "Robert D. Owen", is written over a horizontal line.

Signature of Arbitrator

DATE OF DECISION: June 10, 1996