

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

Stephanie J. Belczyk

96-01015

Name of Respondents

GNA Securities, Inc.
PNC Brokerage Corp.

REPRESENTATION

Claimant Stephanie J. Belczyk ("Claimant") was represented by Gary A. Bryde, Esq., Hockessin, DE.

Respondents GNA Securities, Inc. ("GNA") and PNC Brokerage Corp ("PNC") were represented by Edward Wiles, Jr., Esq., GNA Securities, Inc., Seattle, WA.

CASE INFORMATION

The Statement of Claim was filed March 7, 1996.

Claimant's Uniform Submission Agreement was signed February 29, 1996.

The Joint Statement of Answer of GNA and PNC (collectively "Respondents") was filed May 13, 1996.

Respondent GNA's Uniform Submission Agreement was signed May 13, 1996.

Respondent PNC did not submitted an executed agreement to arbitrate.

HEARING INFORMATION

Hearing Date/Sessions: May 19, 1997/one session

Hearing Location: NASD Regulation District Office
Philadelphia, PA

CASE SUMMARY

Claimant alleged, among other things, that Respondents induced her to authorize unsuitable transactions through the use of deception, misrepresentations and the omissions of material facts. Claimant alleged that she was a totally unsophisticated investor and she relied upon the representations of Respondents to her detriment. Claimant alleged that she went into the Bank of Delaware (now known as PNC Bank Delaware) in March, 1993 to roll over the \$75,000.00 certificate of deposit purchased by Claimant's now-deceased husband. Claimant alleged that the Bank suggested she speak with Respondents, who persuaded her to invest \$75,741.35 in GNA Investors Trust U.S. Government Fund ("Fund"). Claimant alleged Respondents assured her that the Fund was completely safe "unless the U.S. Government goes

out of business." Claimant alleged that Respondents had been informed that Claimant was completely risk averse and wanted absolute safety of her principal. Claimant alleged that in October 1994, when the share value had declined 17%, Claimant liquidated the Fund and effectively lost \$18,554.89. Claimant alleged that Respondents violated Delaware Code Sections 2513 and 7303, as well as Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder by the U.S. Securities Exchange Commission.

Respondents denied all allegations of wrong-doing as asserted in the Statement of Claim. Respondents maintained that GNA Securities was the broker-dealer involved in the transaction with Claimant and when GNA terminated its relationship with PNC Bank, Delaware, the accounts were transferred to PNC Brokerage. Respondents maintained that Claimant expressed concern about the low rate of interest on CDs offered by the bank and wanted to see about receiving a greater return. Respondents maintained that Claimant received information on the risks and benefits of investments using a "financial triangle" and the features of the mutual fund in question. Respondents also maintained that Claimant received information on the effect that interest rate moves would have on the principal value of her investment and no guarantees were ever made. Respondents maintained that Claimant received information of all relevant and material features of the Fund, received a copy of the prospectus for the Fund, a confirmation of the initial purchase, and regular monthly statements from the Fund's transfer agent. In addition, Respondents maintained that Claimant received a semi-annual report from the Fund in June 1993, an updated prospectus in March 1994, a semi-annual report in June 1994 and tax statements in January 1994, as she was taking distributions from her IRA account. Respondents raised the affirmative defenses of barred by statute of limitations as claims under section 12(2) of the Securities Act of 1933 and section 10(b) of the Securities Exchange Act of 1934 must be stated within one year of the alleged fraudulent conduct. In addition, Respondents maintained that Claimant has incorrectly calculated the alleged losses.

RELIEF REQUESTED

Claimant requested \$10,516.96, expert witness fees, attorneys fees and all other costs of this arbitration.

Respondents maintained that the Statement of Claim be dismissed in its entirety, or in the alternative, damages should be reduced to \$8,044.66.

OTHER ISSUES CONSIDERED & DECIDED

The parties have agreed that a handwritten, signed Award may be entered. In this case, the parties have agreed to receive a conformed copy of the Award while the original remains on file with the NASD.

The arbitrator determined that pursuant to the by-laws of the NASD and Rule 10301 of the Code of Arbitration Procedure, Respondent PNC Brokerage is required to submit to this arbitration notwithstanding their failure to file an executed agreement to arbitrate. Therefore, Respondent PNC is bound by the arbitrator's rulings and determinations.

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. That Respondents GNA Securities and PNC Brokerage are jointly and severally liable to and shall pay to Claimant the sum of \$7,516.96.
2. That Respondents GNA Securities and PNC Brokerage are jointly and severally liable to and shall reimburse Claimant for the \$300.00 hearing session deposit previously submitted to the NASD Regulation.
3. That each party shall bear its own costs and expenses with the exception of the Forum Fees as specifically addressed herein.
4. That any and all relief not specifically addressed herein.

FORUM FEES

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

1 session x \$300.00 = \$300.00

Forum Fees are assessed to Respondents, jointly and severally. Respondents shall receive credit for the hearing session deposit which was submitted by Claimant to NASD Regulation and reimbursed by Respondents to Claimant.

DATE

ARBITRATOR'S SIGNATURE

5/29/97



Guillermo L. Bosch, Presiding
Public Arbitrator

Date Decision Served by NASD Regulation:

June 10, 1997