

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Betty Slama

NASD Case No.
96-01233

Name of Respondent

Eric Lee Ellenhorn

REPRESENTATION

For Claimant Betty Slama ("Slama") appeared Ralph A. Gant, Esq., New York, NY.

For Respondent Eric Lee Ellenhorn ("Ellenhorn") appeared Stuart Halper, Esq., Briarcliff Manor, NY.

CASE INFORMATION

Statement of Claim filed on March 19, 1996.

Claimant's Submission Agreement signed on February 23, 1996.

Statement of Answer filed on May 29, 1996.

Respondent's Submission Agreement signed on May 21, 1996.

HEARING INFORMATION

Hearing Date/Session: September 14, 1996 - 1 Session

The hearing took place at the Midday Club, 140 Broadway, New York, NY.

CASE SUMMARY

Claimant alleged that in June 1993 she opened an account at Westfield Financial Corporation ("Westfield") through Ellenhorn, a registered representative employed by Westfield. Claimant alleged that she had no prior investment experience when she opened an account with Westfield. Claimant alleged that Ellenhorn represented that he could recommend good investment opportunities for her.

Claimant alleged that Ellenhorn recommended the purchase of Las Vegas Entertainment Network, Inc. ("Las Vegas") and made representations that Las Vegas was an excellent stock which could be purchased at \$6.50 a share but which, within a few months, would rise to \$40 per share. Claimant alleged that respondent also recommended an investment in shares of All-Quotes, Inc. ("All-Quotes") and claimed that Ellenhorn made representations that All-Quotes was a solid computer company which would make a \$15 to \$20 per share profit within a few months.

Claimant alleged that, in reliance on the representations made by Ellenhorn, she purchased 1,000 shares of Las Vegas and 1,000 shares of All-Quotes. Claimant alleged that, at the time she made these purchases, she advised Ellenhorn that she could not assume risk and that she was relying on a small savings account. Claimant stated that Ellenhorn advised her that he would need to purchase at least \$6,000 worth of shares in Las Vegas and All-Quotes respectively.

On or about September 10, 1993, claimant alleged that she purchased 2,000 shares of Saratoga Brands, Inc. ("Saratoga") at \$1.00 per share based on Ellenhorn's recommendation that it was a good investment. Claimant alleged that she subsequently learned that Saratoga had performed poorly and had a net loss for the year ending December 31, 1992 and also had a net loss for the quarter ending March 31, 1993. Furthermore, claimant stated that she also subsequently learned that auditors had, in a 1991 financial report, advised of the substantial doubt that Las Vegas would be able to continue as a viable business and that All-Quotes was underwritten by Investors Center ("Investors") a penny stock company ultimately prosecuted and liquidated by the Securities and Exchange Commission ("SEC").

Claimant alleged that, as a result of this information, Ellenhorn had knowingly misrepresented the prospects of Las Vegas, All-Quotes and Saratoga at the time he recommended these stocks to claimant. Claimant alleged that Ellenhorn violated his fiduciary obligations to her by purchasing securities which were totally unsuitable for an unsophisticated investor with limited financial means. Furthermore, claimant alleged that Ellenhorn made unconscionable profits through Slama's purchase of Las Vegas, All-Quotes and Saratoga because Westfield was a market maker in each security and acted as principal in every purchase made for claimant's account. Finally, claimant stated that Ellenhorn's conduct as alleged by claimant constituted a violation of Section 10(b) of the Securities Exchange Act of 1934.

Ellenhorn maintained that claimant called him to advise him she would like to invest in the type of securities she had overheard him discussing with another individual. Ellenhorn stated that he warned claimant that he and Westfield dealt in "high risk" securities and maintained that he advised her such investments carried risk although the return on investment could be substantial. Respondent stated that claimant never advised him that she could not afford to assume risk or that she had limited financial means.

Respondent denied that he ever knowingly made any false representations to the claimant and maintained that, at both the time of the purchase of the stocks and on numerous occasions afterward, he reminded the claimant that the investments were risky. Respondent stated that, at the time the purchases were made by claimant, he believed that the investments were worthwhile and believed further that there was a high probability that the shares' prices could appreciate.

RELIEF REQUESTED

Claimant requested \$15,000 in compensation for actual losses; interest at 9% commencing September 1, 1993; arbitration costs; reasonable attorney fees; punitive damages and referral of the full record for disciplinary proceedings.

Respondent requested dismissal of the Statement of Claim and such other relief as deemed appropriate.

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

1. Respondent Eric Ellenhorn be and hereby is liable and shall pay claimant \$7,500.00.
2. Each party shall bear their respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the arbitrators have determined that the NASD shall retain the \$100 non-refundable filing fee previously deposited by claimant and have assessed the following forum fees:

One hearing session @ \$400	=	\$400
minus claimant's \$ deposit	=	<u>400</u>
Total Outstanding	=	0

Respondent Eric Ellenhorn be and hereby is liable for the sum of \$400 representing the total amount of the forum fees assessed. Therefore, Respondent shall pay claimant \$400.00 as reimbursement of the forum fee previously paid to the NASD.

Concurring Arbitrators' Signatures
Name


Roger J. Hawke, Esq.


Herbert Launer

Ann J. Pinciss, Esq.

NASD Date of Decision: October 17, 1996

I, Herbert Launer, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules that I am the individual described herein and who executed this instrument which is my award.

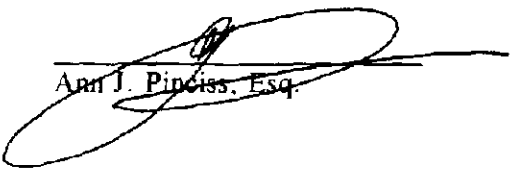

Herbert Launer

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Concurring Arbitrators' Signatures
Name

Roger J. Hawke, Esq.

Herbert Launer



Ann J. Pinciss, Esq.

NASD Date of Decision: October 17, 1996

I, Ann J. Pinciss, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules that I am the individual described herein and who executed this instrument which is my award.



Ann J. Pinciss, Esq.

Concurring Arbitrators' Signatures
Name




Roger J. Hawke, Esq.

Herbert Launer

Ann J. Pinciss, Esq.

NASD Date of Decision: October 17, 1996

I, Roger J. Hawke, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules that I am the individual described herein and who executed this instrument which is my award.



Roger J. Hawke, Esq.