

AWARD
NASD Regulation, Inc.

In the Matter of Arbitration Between

Nancy Lipscomb Bond
Claimant,

and

No. 96-1998

Bear Stearns & Company, Inc. and
Stuart G. Dickinson
Respondents.

REPRESENTATION OF PARTIES

Claimant, Nancy Lipscomb, ("Bond"), was represented by James F. Bullock, Esquire of Goodwin & Carlton, P.C. located in Dallas, Texas.

Respondents, Bear Stearns & Company, Inc. and Stuart G. Dickinson ("Respondents"), were represented by William B. Mallery, Esquire in house counsel at Bear Stearns & Company, Inc.

CASE INFORMATION

Claimant's Statement of Claim was filed on or about May 10, 1996. Claimant's Submission Agreement was signed on April 30, 1996.

Respondents' Joint Statement of Answer was filed on or about July 1, 1996.
Respondent Stuart G. Dickinson's Submission Agreement was signed on July 3, 1996.
Respondent Bear Stearns & Company, Incorporated's Submission Agreement was signed on July 3, 1996 by Raymond L. Aronson, its Senior Managing Director.

HEARING INFORMATION

The hearing was held on November 6, 1999 for two (2) sessions and November 7, 1999 for two (2) sessions for a total of four (4) sessions in Dallas, Texas.

CASE SUMMARY

Claimant alleged that she was an unsophisticated investor who opened an account with all her liquid assets with Respondents in July of 1994. On the morning of August 9, 1995, Claimant alleged that Respondent Dickinson called her and recommended that she authorize him to purchase common stock of Netscape Communication Corporation ("Netscape") for her account. Claimant asserts that Respondent Dickinson explained that he would purchase stock of Netscape at \$29.50 per share and play the expected volatility of the stock within a two point spread. Claimant alleged that Respondent Dickinson also stated that he would limit her exposure to no more than \$2.00 per share, presumable through a stop loss order.

Respondent Dickinson allegedly told Claimant that the Netscape stock would be purchased for the \$29.50 per share price and her loss exposure would be limited to \$2.00 per share on 2,000 shares. Thus, Claimant agreed to purchase 2,000 shares of Netscape at \$29.50. Respondent Dickinson, Claimant alleges, issued an open buy order. As a result, on August 9, 1995, Respondent Bear Stearns purchased 2,000 of an allegedly highly speculative, volatile and risky initial public offering stock for Claimant at \$68.75 per share. In total, \$137,502.50 of Claimants' total portfolio value of approximately \$480,000.00 was spent, contrary to the authorization given by Claimant. The next day, Respondents sold those 2,000 Netscape shares for \$53.89 per share. Thus, Claimant allegedly suffered a loss of \$29,709.00 as a result of the trades.

Claimant complained to Respondent Dickinson of these losses. Later, Respondent Dickinson offered to split the \$25,090.00 loss with Claimant. Claimant refused. As Claimant did not have sufficient cash in her account to satisfy the loss and she did not authorize the liquidation of any of her positions to settle the trade loss, Respondents allegedly converted a United States Treasury Bill they held in her account and its proceeds. Claimant brought claims based upon the above including unauthorized and unsuitable trades, conversion, and breach of fiduciary duty.

Respondents denied any wrongdoing as alleged in the Claimants' Statement of Claim. Respondents alleged that shortly after Claimant opened her account, Claimant sent Respondents a letter acknowledging that she understood the risks associated with investing in the stock and bond markets. Claimant expressly stated that her investment objective included using a portion of her portfolio to pursue trading profits. According to Respondents Answer, Respondents Dickinson proposed that Claimant was to take advantage of the expected "pull back" of the initial Netscape price, and then sell the Netscape stock when the secondary surge occurred. Consistent with this proposal and with Claimant's express permission, Respondent Dickinson purchased 2,000 shares when the price traded down to a price below \$70. Netscape had however backed off even further than Respondent Dickinson anticipated and the shares were ultimately sold at a loss. Due to this loss, Respondent Dickinson did not charge any of his clients including Claimant a commission on either the purchase or the sale of the Netscape shares. Claimant did not accept Respondent Dickinson's offer to pay for one-half of her losses

and brought this lawsuit. Respondents also brought affirmative defenses including ratification, estoppel and contributory negligence.

RELIEF REQUESTED

Claimant requested an award for actual damages of \$29,709.00, pre judgment interest as allowed by law, punitive damages in the amount of \$200,000.00, costs incurred, and attorneys' fees.

Respondents requested that the claims asserted against them be dismissed in their entirety and that they be awarded their costs and attorney fees.

OTHER ISSUES CONSIDERED AND 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 Regulation, Inc. Office of Dispute Resolution.

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. That the Respondent Bear, Stearns & Co., Inc. are liable for and shall pay Claimant Nancy Lipscomb Bond \$35,000.00 (thirty five thousand dollars) in compensatory damages;
2. That any and all reference to this matter shall be expunged from the CRD record of Stuart G. Dickinson at the NASDR (CRD # 1047824);
3. That other than forum fees, which are addressed below, all other claims and requests for relief not specifically awarded here are, and each of them, hereby denied with prejudice.

FORUM FEES

Forum fees are calculated at the rate of \$750.00 per hearing session. There were four (4) hearing sessions x \$750.00 = \$3000.00 in forum fees. Pursuant to Rule 10332(b) of the NASD Code of Arbitration Procedure (the "Code," a hearing session is any meeting between the parties and the Arbitrator(s), including a pre-hearing conference with an Arbitrator, which lasts four (4) hours or less.

Pursuant to Rule 10332(c) of the Code, Claimant has paid to the NASD Regulation, Inc., Office of Dispute Resolution, the non-refundable filing fee of \$200.00 and has also paid the hearing session deposit of \$750.00. Respondent Bear Stearns & Company, Inc. is liable for the forum fees in this matter and shall pay the sum of \$2,250.00 (\$3000.00 total fees less the hearing session deposit of \$750.00) to NASD Regulation, Inc., Office of Dispute Resolution.

OTHER FEES

Pursuant to Rule 10333 of the Code Respondent has to the NASD Regulation, Inc., Office of Dispute Resolution, Respondent Bear Stearns & Company, Inc. has paid its \$350.00 member surcharge previously invoiced.

Fees are payable to the NASD Regulation, Inc., Office of Dispute Resolution.

Concurring Arbitrators' Signatures:

Charles P. Aberg
Chairperson
Public Arbitrator

Date

Jack K. Lovette
Panelist
Public Arbitrator

Date

Carol A. Freeland
Carol A. Freeland
Panelist
Industry Arbitrator

1-8-99
Date

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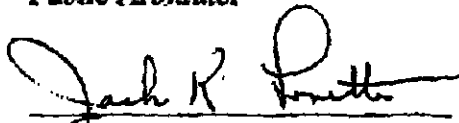
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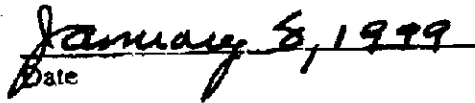
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