

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

---

In the Matter of the Arbitration Between

Name of Claimant

Sherman C. Craig

96-02022

Name of Respondents

PNC Brokerage  
Pamela Watson

---

REPRESENTATION

Claimant Sherman C. Craig ("Claimant") was represented by David L. Sage, II, Esq., Hummel & Coan, Louisville, KY.

Respondents PNC Brokerage ("PNC") and Pamela Watson ("Watson") were represented by Frank F. Chuppe, Esq., Wyatt, Tarrant & Combe, Louisville, KY.

CASE INFORMATION

Claimant's Statement of Claim was filed May 10, 1996.

Claimant's Uniform Submission Agreement was signed April 24, 1996.

The Joint Statement of Answer of PNC and Watson (collectively "Respondents") was filed July 16, 1996.  
PNC's Uniform Submission Agreement was signed July 16, 1996.

Watson's Uniform Submission Agreement was signed August 2, 1996.

HEARING INFORMATION

Hearing Date/Sessions: January 23, 1997/two sessions

Hearing Location: Seelbach Hotel  
Louisville, KY

CASE SUMMARY

Claimant alleged, among other things, that Respondents induced Claimant to authorize investments, based on incomplete information, which were unsuitable. Claimant alleged that Respondents had been informed that the investment funds were the result of compensation received as a result of a head injury. Claimant alleged that Respondents had also been informed that Claimant's investment goal was income and protection of principal as Claimant was unable to be employed due to the residual effects of the head injury. Claimant alleged that Respondents knew that Claimant had no investment experience with the

exception of maintaining a savings account and passbook. Claimant alleged that Respondents negligently placed \$150,000.00 in Aguilla Churchill Tax Free Fund of Kentucky ("Churchill"), which, in light of their tax-free status, provides limited income potential. Claimant alleged that Respondents failed to exercise that degree of care and skill one would expect of a reasonably prudent investment advisor. Claimant alleged that Claimant's investment of \$150,000.00 in Churchill and an additional \$50,000.00 in GNA Investors Government Trust B were inappropriate given Claimant's age, lack of taxable income, need for conservation of principal and need to offset future inflation. Claimant alleged that Respondents failed to provide sufficient information as to the risk factors regarding these investments including the effect that a change in interest rates would have upon the principal value of the investment. Claimant alleged that Respondents actions caused Claimant to suffer financial loss.

Respondents denied all allegations of wrong-doing asserted in the Statement of Claim. Respondents maintained that Claimant informed Respondents that he was interested in tax-free income, and a conservative investment. Respondents maintained that Claimant never informed Respondents that he was no longer able to hold any type of employment, nor that Claimant had no prior investment experience. In fact, Respondents maintained that Claimant informed Watson that he had previously invested in Pioneer Funds. Respondents maintained that Claimant failed to inform Respondents that he had no income due to his disability from the head injury. Respondents maintained that Claimant informed them that he was a minister in nursing homes with an annual income between \$10,000.00 and \$25,000.00. Respondents maintained that Claimant was provided sufficient information concerning risk factors associated with his investment and signed two Investment Acknowledgement Forms and initialed the specific clauses which explain the risk inherent with mutual investments. Respondents maintained that prudent investment advice was provided to the Claimant and the purchase of the Churchill Fund was suitable and appropriate.

#### **RELIEF REQUESTED**

Claimant requested relief of \$16,284.66 plus interest, as well as the costs of this arbitration including attorney's fees.

Respondents requested that the Statement of Claim be dismissed.

#### **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.

**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 Respondent PNC Brokerage is liable to and shall pay to Claimant the sum of \$7,000.00 inclusive of interest.
2. That the claims against Pamela Watson are denied.
3. That PNC Brokerage is liable to and shall reimburse Claimant for the \$300.00 hearing session deposit Claimant previously submitted to the NASD Regulation.
4. That each party shall bear its own costs and expenses with the exception of the Forum Fees as discussed below.
5. 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:

2 sessions x \$300.00 = \$600.00

Forum Fees are assessed to Respondent PNC Brokerage. Respondent PNC Brokerage is to receive credit for the \$300.00 hearing session deposit submitted by Claimant, and reimbursed by Respondent PNC to Claimant, leaving a net assessment due of \$300.00.

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

**DATE**

**ARBITRATOR'S SIGNATURE**

1-29-97

  
Jeffrey M. Bain, Presiding  
Public Arbitrator

Date Decision Served by NASD Regulation:

January 31, 1997