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AWARD

NASD REGULATION, INC., OFFICE OF DISPUTE RESOLUTION

In the matter of the Arbitration Between

Name of Claimant(s)

John R. Zavoli
Diane J. Zavoli

v.

Arbitration No.
96-03944

Name of Respondent(s)

Charles Schwab & Co., Inc.

REPRESENTATION

For Claimants: Steven O. Sidener, Esq., Sidener & Associates, San Francisco, California

For Respondent: Joseph E. Floren, Esq., Steefel Levitt & Weiss, San Francisco, California

CASE INFORMATION

Statement of Claim filed August 30, 1996

Amended Statement of Claim filed March 7, 1997

Claimants' Submission Agreement signed August 20, 1996

Statement of Answer & Counterclaim filed December 27, 1996

Answer & Counterclaim to First Amended Statement of Claim filed April 15, 1997

Respondent's Submission Agreement signed February 14, 1997

Claimants' Reply to Counterclaim filed January 13, 1997

Claimants' Reply to Answer & Counterclaim to First Amended Statement of Claim filed April 25, 1997

HEARING INFORMATION

Pre-hearing telephone conferences lasting one session each were held on August 25, 1997, and October 23, 1997.

The evidentiary hearing was held in San Francisco, California, as follows:

November 24, 1997	-	3 sessions
November 25, 1997	-	3 sessions
November 26, 1997	-	2 sessions

CASE SUMMARY

Claimants alleged unsuitable investments, breach of fiduciary duty, fraud, breach of contract, negligence, negligent misrepresentation, conversion, intentional and negligent infliction of emotional distress with respect to Claimants' investments in Optical Cable common stock. Claimants alleged Respondents should not have permitted the purchases of Optical Cable stock because they greatly exceeded the Claimants' liquid assets and net worth as stated on the new account documents. Claimants alleged these investments and others were actually improper free-riding trades which should not have been allowed by Respondent. Claimants further alleged that Respondent mismanaged their cash account by improperly treating it as a margin account. Claimants alleged that the liquidation of their account to meet margin limits was thus improper and done without their permission.

Respondent denied the allegations of wrongdoing, and stated that Claimants made their own investment decisions, placed trading orders by dialing into Schwab's Telebroker service, and simply refused to pay for their Optical Cable trades, forcing Respondent to liquidate the stock. Respondent stated that the liquidation of Optical Cable was insufficient to cover its cost, leaving a debit balance in the Claimants' account. Respondent claimed in its counterclaim that it had demanded payment of the debit balance, but Claimants had failed and refused to satisfy their obligation.

RELIEF REQUESTED

Claimants requested unspecified compensatory damages for losses and emotional distress; rescission of any unauthorized, unsuitable or improper transactions, plus interest, punitive damages, costs of arbitration and attorney's fees. Claimants also requested dismissal of the counterclaim.

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Respondent requested dismissal of the claim. On the counterclaim, Respondent requested damages of \$77,506.43 plus interest, and costs of arbitration.

OTHER ISSUES

The parties have agreed to receive conformed counterpart copies of the Award while the originals remain on file with NASDR, Inc.

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. All claims, including the claim for punitive damages, asserted by Claimants are dismissed in their entirety.

2. John R. Zavoli and Diane J. Zavoli are liable for and shall pay to Charles Schwab & Co., Inc., the sum of \$77,506.43 on the counterclaim. The claim for interest on this amount is dismissed.

3. The parties shall each bear their respective costs of arbitration, including attorney's fees.

FORUM FEES

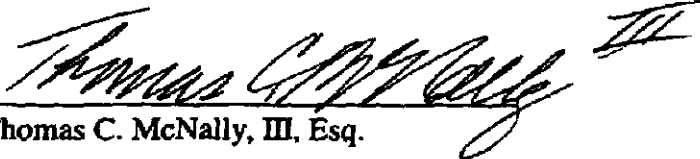
Pursuant to Section 10332 of the Code of Arbitration Procedure the NASDR shall retain Claimants' \$250 non-refundable filing fee, but shall refund their \$600 hearing session deposit.

Respondent is assessed all forum fees:

2 pre-hearing telephone conferences @ \$300/session	\$ 600
8 hearing sessions @ \$600/session	\$4,800
Credit for deposit	(600)
Balance due	<u>\$4,800</u>

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Fees are payable to NASDR, Inc.


Thomas C. McNally, III, Esq.

John T. Collentine

Anthony J. Nyberg

Date Served: December 8, 1997

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Fees are payable to NASDR, Inc.

Thomas C. McNally, III, Esq.



John T. Collentine


Anthony J. Nyberg

Date Served: December 8, 1997

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Fees are payable to NASDR, Inc.

Thomas C. McNally, III, Esq.

John T. Collentine


Anthony J. Nyberg

Date Served: December 8, 1997