

N.A.S.D. REGULATION AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS REGULATION, INC.

In the Matter of the Arbitration Between

Name of Claimant

PaineWebber, Inc.

96-04217

Name of Respondent

Belynda P. Stewart

REPRESENTATION

Claimant PaineWebber, Inc. ("Claimant") was represented by James P. Flynn, Esq., Hannoch Weisman, Roseland, NJ.

Respondent Belynda P. Stewart ("Respondent") was represented by Shari Amster, Esq., Durant & Durant, Philadelphia, PA.

CASE INFORMATION

The Statement of Claim was filed September 20, 1996.

Claimant's Submission Agreement was signed September 11, 1996.

Claimant's Answer to the Counterclaim was filed February 3, 1997.

Respondent's Statement of Answer and Counterclaim was filed December 9, 1996.

Respondent's Uniform Submission Agreement was signed October 31, 1996.

HEARING INFORMATION

Hearing Dates/Sessions: May 1, 1997/two sessions
May 2, 1997/two sessions

Hearing Location: 1717 Arch Street, 37th Floor
Philadelphia, PA

CASE SUMMARY

Claimant alleged that Respondent had worked for Claimant's predecessor, Kidder Peabody, for approximately four years when Claimant acquired Kidder Peabody on or about January 30, 1995. Claimant further alleged that as part of its acquisition of Kidder Peabody, Claimant offered forgivable loans to Kidder Peabody employees. Claimant alleged that Respondent was offered a forgivable loan in the amount of \$65,379.60, which she accepted, and signed the note in that amount. Claimant alleged the note was to be forgiven by Claimant over a four year period.

Claimant alleged that Respondent was discharged by Claimant on or about April 26, 1995, and such discharge was for cause, as specified in the terms of the forgivable note. Claimant alleged the cause was Respondent giving erroneous information in response to a legal and compliance report which she had filled out at the time of the Claimant's acquisition of Kidder Peabody.

Respondent denied that there was just cause for Claimant's termination of her under the terms of the forgivable loan. Rather, Respondent maintained that her termination was due to her involvement with Michael Cohen and not for any conduct of her own. Respondent maintained that Claimant's compliance officer in Philadelphia was fully aware of the filling out of the legal and compliance report and advised Stewart how to do so. In the alternative, Respondent maintained that if the compliance officer did not advise how to fill out the report, the compliance officer was fully aware of the circumstances and took no action to correct the information, or to inquire of Respondent concerning the information in the report.

In the Counterclaim, Respondent alleged four causes of action, defamation, intentional interference in contract, breach of contract and improper termination.

Claimant denied the allegations asserted in the counterclaim.

RELIEF REQUESTED

Claimant requested recovery of the principal amount due on the note of \$61,293.38; compounded interest at the rate of 10.5% per year (as calculable from the note); attorney's fees of approximately \$10,500.00 (as provided in the note) for a total of \$90,664.99, plus the costs of the arbitration.

Respondent requested that Claimant's entire claim be dismissed and she be awarded damages of \$1,138,000.00; punitive damages; interest, as well as the costs and fees on the counterclaim.

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.

During a prehearing conference call on April 9, 1997, the panel considered oral argument on various motions and ruled that Respondent would not be permitted to present a counterclaim on the issues of defamation or intentional interference with contractual relations but would be permitted to present a counterclaim on the basis of breach of contract and wrongful discharge. Subsequently, Respondent requested the panel reconsider denial of the counterclaim based on defamation, which was denied.

Claimant, subsequent to the prehearing conference call, requested that Respondent be precluded from offering expert witness testimony on damages and also filed a deficient request for adjournment of the hearing. Claimant failed to file the appropriate fees pursuant to Rule 10319(b) of the Code of Arbitration Procedure and alternative dates for the hearing if panel granted adjournment to perfect the request. At the commencement of the hearing, Claimant reiterated its request to preclude Respondent from offering expert witness testimony on damages. After consideration of Claimant's request and Respondent's response thereto, the request was denied. In the alternative, Claimant requested that the hearing be bifurcated on liability and damages, with the damages portion of the hearing to be conducted at a future

time. After consideration of Claimant's alternative request and Respondent's response, the panel also denied this request.

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 claim for recovery on the forgivable note is denied.
2. That Claimant is liable to and shall pay to Respondent \$54,781.82 on the counterclaim.
3. That the claim for punitive damages in the counterclaim is denied.
4. That Claimant shall file an amended Form U-5 with the NASD Regulation deleting the reference to the cause for Respondent's termination.
5. That each party shall pay its own costs and expenses.
6. That any and all relief not specifically addressed herein shall be denied.

FORUM FEES

Pursuant to Rule 10205(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed:

4 sessions x \$600.00 = \$2,400.00

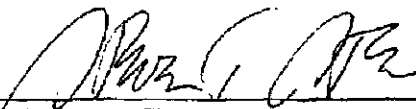
Forum Fees are assessed equally between Claimant and Respondent. Claimant shall receive credit for the \$600.00 hearing session deposit previously submitted to the NASD Regulation, leaving a net assessment due from Claimant of \$600.00. Respondent shall receive credit for the \$150.00 hearing session deposit previously submitted to the NASD Regulation, leaving a net assessment due from Respondent of \$1,050.00.

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

DATE

CONCURRING ARBITRATORS' SIGNATURES

5/11/97



Steven T. Stern, Chairman
Public Arbitrator

Roy B. Steenhoff
Public Arbitrator

Dominick L. Mattioni
Industry Arbitrator

Date Decision Served by NASD Regulation:

May 21, 1997

DATE

CONCURRING ARBITRATORS' SIGNATURES

Steven T. Stern, Chairman
Public Arbitrator

5/14/97

Roy B. Steenhoff
Roy B. Steenhoff
Public Arbitrator

Dominick L. Mattioni
Industry Arbitrator

Date Decision Served by NASD Regulation: May 21, 1997

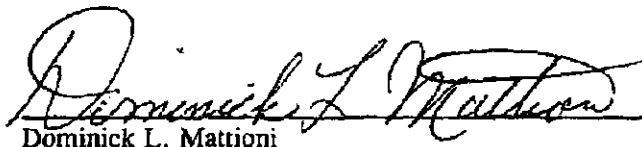
DATE

CONCURRING ARBITRATORS' SIGNATURES

Steven T. Stern, Chairman
Public Arbitrator

Roy B. Steenhoff
Public Arbitrator

5/14/97



Dominick L. Mattioni
Industry Arbitrator

Date Decision Served by NASD Regulation: May 21, 1997