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N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Names of Claimants

Edwin Zaharatos and Thelma Zaharatos

NASD CASE NO. 96-05420

Name of Respondent

Prudential Securities Incorporated

REPRESENTATION

For Claimants: Lawrence L. Klayman, Esq. of Lawrence L. Klayman, P.A., Boca Raton, Florida.

For Respondent: V. Michael Arias, Associate General Counsel, Vice President of Prudential Securities Incorporated ("PSI"). On September 26, 1997, NASD Regulation, Inc. received a letter advising that Brian D. Elias, Esq. of Fowler, White, Burnett, Hurley, Banick & Strickroot, Miami, Florida had been retained to represent PSI in this matter. Mr. Elias appeared on behalf of the Respondent at the evidentiary hearing.

CASE INFORMATION

Statement of Claim filed on December 6, 1996.

Claimants' Submission Agreement signed on July 8, 1996.

Statement of Answer filed by Respondent on February 18, 1997.

Respondent's Submission Agreement signed on February 21, 1997 by V. Michael Arias, Associate General Counsel, Vice President of Prudential Securities Incorporated.

HEARING INFORMATION

On June 24, 1997, a telephonic pre-hearing conference lasting one (1) session was conducted with the arbitration panel. On October 8, 1997 and November 7, 1997, telephonic pre-hearing conferences lasting one (1) session each were conducted with the Chairperson of the arbitration panel. On November 10 and 11, 1997, in Fort Lauderdale, Florida, hearings lasting five (5) sessions were conducted.

CASE SUMMARY

Claimants alleged that Mark Freedman ("Freedman"), their broker at PSI, made oral and written misrepresentations regarding the value of securities held in their account. Claimants specifically alleged that Freedman prepared phony PSI account statements which falsely reflected the current status of their account. Claimants further alleged that suspicious trading activity and order entries in their account

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should have alerted PSI management to Freedman's deceptive practices, but that Freedman was not terminated by PSI until Claimants initiated their customer complaint. Claimants asserted claims against PSI for alleged violations of Florida Statute Chapter 517, et seq., and Florida and federal RICO statutes.

PSI denied any liability to the Claimants. PSI alleged that Claimants delivered securities into their account at PSI after they had previously purchased them through Freedman at Great Western Securities, Inc. PSI asserted that it sent Claimants monthly statements which accurately reflected the securities in their account, as well as the current values of the investments. PSI admitted that Freedman violated firm policy by preparing and providing to the Claimants his own monthly statements which did not accurately reflect the status of the Claimants' account, but asserted that Freedman was acting outside the scope of his employment. PSI also alleged that Claimants breached their contractual account agreement with PSI, which required that they contact the branch manager in the event they believed there were any errors or discrepancies in the monthly account statements that they received. PSI asserted that the Claimants never contacted the branch manager regarding the discrepancies in their account statements during the entire time that Freedman handled their account.

RELIEF REQUESTED

Claimants requested compensatory damages in the amount of \$270,000.00 plus costs, attorneys' fees and such other relief as the arbitration panel deemed just and proper.

Respondent requested that the Claimants' claims be dismissed in their entirety, and reserved its right to seek attorneys' fees from a court of competent jurisdiction.

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 NASD Regulation, Inc.

During the evidentiary hearing, the parties agreed to submit the issue of entitlement to attorneys' fees to the Panel for determination.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post-hearing submissions (if any), the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Claimants' Statement of Claim is dismissed in its entirety.
2. All other claims for relief, including the parties' requests for attorneys' fees, are denied.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the Panel has assessed forum fees in the amount of \$5,100.00 (5 sessions X \$750.00 per session, plus 2 pre-hearing conferences with the Panel X \$750.00 and 2 pre-hearing conferences with one arbitrator X \$300.00) as follows:

1. Claimants are hereby assessed the sum of \$2,550.00 for which NASD Regulation, Inc. shall retain the amount of \$2,550.00 from the hearing session deposits previously paid by Claimants in full

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satisfaction thereof.

2. Respondent is hereby assessed the sum of \$2,550.00 for which NASD Regulation, Inc. shall retain the amount of \$2,550.00 from the hearing session deposit previously paid by Respondent in full satisfaction thereof.

3. NASD Regulation, Inc. shall retain the \$200.00 claim filing fee previously paid by Claimants, as well as the \$350.00 member surcharge and the \$750.00 postponement fee previously paid by Respondent.

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

Concurring Arbitrators' Signatures

Name

Public/Industry

/s/
Frances D. Sheehy, Esq.
Chairperson

Public

/s/
James R. South

Industry

/s/
Marie Paulette Levine

Public

Date of Decision: December 19, 1997