

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Joan Catalini and James Raite, (Claimants) vs. Prudential Securities, Inc., PaineWebber, Inc.,
and James Hammond, (Respondents)

Case Number: 99-01544

Hearing Site: Buffalo, New York

REPRESENTATION OF PARTIES

Claimants Joan Catalini ("Catalini") and James Raite ("Raite"), hereinafter collectively referred to as "Claimants": Beth A. Brownson, Esq., Greene, Hershdorfer & Sharpe, Syracuse, New York.

Respondent Prudential Securities, Inc. ("Prudential"): Jeanne Samuels, Esq., Vice President and Associate General Counsel, Prudential Securities, Inc., New York, NY.

Respondent, PaineWebber, Inc. ("PaineWebber"): Joel E. Davidson, Esq., a sole practitioner, New York, NY.

Respondent, James Hammond ("Hammond") appeared *pro se*.

CASE INFORMATION

Amended Verified Statement of Claim filed on or about: April 22, 1999.

Reply to the Counterclaim of Hammond filed by Claimants on or about: August 17, 1999.

Reply to Prudential's Answer and Motion to Dismiss filed by Claimants on or about: August 18, 1999.

Catalini signed the Uniform Submission Agreement: July 1, 1998.

Raite signed the Uniform Submission Agreement: July 1, 1998.

Statement of Answer filed by Prudential on or about: August 2, 1999.

Amended Statement of Answer and Motion to Dismiss filed by Prudential on or about: August 13, 1999.

Prudential signed the Uniform Submission Agreement: August 2, 1999.

Statement of Answer filed by PaineWebber on or about: August 2, 1999.

PaineWebber signed the Uniform Submission Agreement: August 18, 1999.

Statement of Answer and Counterclaim filed by Hammond on or about: August 28, 1999.

Hammond did not sign the Uniform Submission Agreement.

CASE SUMMARY

Claimants asserted the following causes of action: violation of federal securities law;

fraudulent misrepresentation; negligence; breach of contract; breach of fiduciary duty; violation of New York General Business Law section 349(a); violation of section 12(a)(2) of the Securities Act; fraud; negligent misrepresentation; and theft.

Unless specifically admitted in its Answer and Amended Answer, Prudential denied the allegations made in the Statement of Claim and asserted the following defenses: the Statement of Claim fails to state a claim upon which relief can be granted; Claimants, at all relevant times, had or should have had full knowledge of all material facts concerning the investments made, including the nature of the investments and the associated risks; Claimants authorized the execution of the transactions at issue, and therefore, are estopped from bringing this action; Claimants may not recover anything against Prudential because they ratified all of the activity in their accounts; to the extent that Claimants have suffered any losses or diminution in the value of their investments, Prudential is not liable for such losses or diminution because they were within the risks that Claimants chose to assume; to the extent that Claimants' investments have diminished in value, such diminution is the result of unforeseen price fluctuations in volatile securities markets in which Claimants knowingly and willingly participated; the purported wrongdoing on the part of Prudential was not the proximate cause of the losses for which Claimants seek recovery; Claimants have not incurred any damages arising from the actions of Prudential; and Claimants' accounts were not invested in contravention of their investment objectives.

Unless specifically admitted in his Answer, Hammond denied the allegations made in the Statement of Claim and asserted the following defenses: Hammond acted as an advisor and did not manage the accounts in question; Claimants were informed on all financial matters in their accounts; Catalini was sent notification stating that her primary investment objective was speculation, and she did not object to this account designation; Raite's account was clearly defined as speculative from the beginning, and all associated risks were clearly explained to him; there was never any unauthorized trading or misappropriation of funds in the accounts in question; all trades in Catalini's account were with a fundamental purpose and were not "churning"; Catalini never opposed the purchases of the stocks in question; and Hammond did not exercise "de facto" control over Claimants' accounts.

In his Counterclaim, Hammond asserted the following causes of action: false accusations of theft and unauthorized withdrawals and character defamation.

Unless specifically admitted in their Reply, Claimants denied the allegations made in the Counterclaim and asserted the following defenses: the statements made are protected by the privilege for statements made in litigation, thus the Counterclaim must be dismissed; upon information and belief, the NASD has no jurisdiction to hear the Counterclaim because Hammond did not pay the necessary filing fee; the NASD has no jurisdiction to hear this Counterclaim as Claimants never consented to be subject to suit before the NASD; the statements were made in good faith based upon information provided by Prudential regarding withdrawals from Catalini's account; and since Hammond filed for bankruptcy in the Northern District of New York, any claim which he may have had for damages arising from this suit belong to the Trustee in bankruptcy.

RELIEF REQUESTED

Claimants requested damages as follows:

Joan Catalini

Compensatory Damages against Hammond and PaineWebber:	\$ 33,265.62
Compensatory Damages against Hammond and Prudential:	\$ 392,385.49
Punitive Damages against PaineWebber:	\$ 99,796.86
Punitive Damages against Prudential:	\$1,177,156.40

James Raite

Compensatory Damages against Hammond and Prudential:	\$ 27,546.10
Punitive Damages against Prudential:	\$ 82,638.30

Claimants also requested the costs of this arbitration, reasonable attorneys' fees, and such other remedies as the Panel deems appropriate.

Prudential requested that the Panel deny Claimants' requests for an award of damages and award Prudential fees and expenses incurred in connection with the defense of these claims.

In his Counterclaim, Hammond requested compensatory damages in the amount of \$1,000,000.00, together with punitive damages, reasonable counsel fees, and the costs of this matter.

OTHER ISSUES CONSIDERED AND DECIDED

Hammond did not file with NASD Dispute Resolution, Inc. a properly executed submission to arbitration but is required to submit to arbitration pursuant to the NASD Code of Arbitration Procedure and, having answered the claim, appeared and testified at the hearing, is bound by the determination of the Panel on all issues submitted.

Prior to the hearings in this matter, PaineWebber entered into a settlement agreement with Claimants. Therefore, PaineWebber did not participate in the hearings in this matter.

On the final day of hearings in this matter, counsel for Claimants and Prudential informed the Panel that all claims asserted by Claimants against Hammond and Prudential were settled. Hammond, however, declined so much of the settlement as would compromise his Counterclaim against Claimants. Therefore, the Award which follows pertains solely to the adjudication of the Counterclaim. It is noted that the arbitrators previously ruled that Hammond's counterclaims against Claimants' attorneys were dismissed.

During the hearings in this matter, Hammond served a Cross-claim and Third-party Claim

upon Prudential and Eric M. Romm, who was present at the hearing as Prudential's corporate representative. On the joint motion of Prudential and Claimants, the Panel ruled that Hammond was precluded from proceeding with the Cross-claim and Third-party Claim at the hearing.

During the hearings in this matter, Claimants made a Motion to Dismiss the Counterclaim asserted by Hammond. The Panel denied this Motion.

The Panel determined to waive the non-refundable filing fee for the Counterclaim asserted by Hammond.

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.

AWARD

After considering the pleadings, the testimony and evidence presented at the hearing, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Catalini be and hereby is solely liable for and shall pay to Hammond the sum of \$100.00 as compensatory damages.
2. Hammond's request for punitive damages is hereby denied.
3. All other requests for relief are hereby denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee	= \$ 250.00
Counterclaim filing fee	= Waived by Panel

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. In this matter, Prudential Securities, Inc. and PaineWebber, Inc. are parties.

Prudential Securities, Inc.

Member surcharge	= \$ 2,500.00
------------------	---------------

Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 4,500.00

PaineWebber, Inc.

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 2,500.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$1,000.00	= \$ 1,000.00
Pre-hearing conference: January 19, 2000	1 session

Ten (10) Hearing sessions x \$1,000.00	= \$10,000.00
Hearing Dates: July 25, 2000	2 sessions
July 26, 2000	2 sessions
July 27, 2000	2 sessions
October 19, 2000	2 sessions
October 20, 2000	2 sessions

Total Forum Fees	= \$11,000.00
------------------	---------------

The Panel has assessed all of the forum fees against Catalini.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

1. Hammond requested tapes, \$240.00.

Fee Summary

1. Claimants be and hereby are jointly and severally liable for:

<u>Initial Filing Fee</u>	= \$ 250.00
Total Fees	= \$ 250.00
<u>Less payments</u>	= \$ 250.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

2. Catalini be and hereby is solely liable for:

<u>Forum Fees</u>	= \$11,000.00
<u>Total Fees</u>	= \$11,000.00
<u>Less payments</u>	= \$ 1,000.00
Balance Due NASD Dispute Resolution, Inc.	= \$10,000.00

3. Prudential be and hereby is solely liable for:

<u>Member Fees</u>	= \$ 7,600.00
<u>Total Fees</u>	= \$ 7,600.00
<u>Less payments</u>	= \$ 7,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

4. PaineWebber be and hereby is solely liable for:

<u>Member Fees</u>	= \$ 4,600.00
<u>Total Fees</u>	= \$ 4,600.00
<u>Less payments</u>	= \$ 5,000.00
Refund Due PaineWebber	= \$ 400.00

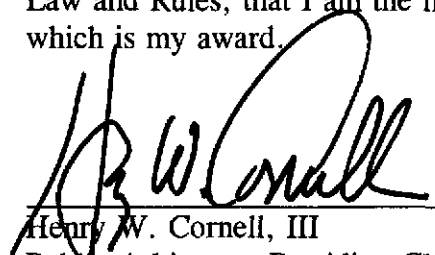
5. Hammond be and hereby is solely liable for:

<u>Administrative Costs</u>	= \$ 240.00
<u>Total Fees</u>	= \$ 240.00
<u>Less payments</u>	= \$ 240.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

All balances are due and payable to NASD Dispute Resolution, Inc.

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Henry W. Cornell, III
Public Arbitrator, Presiding Chair

11-22-00

Signature Date

David K. Silverberg, Esq.
Public Arbitrator

Signature Date

Roy R. Neureuter
Industry Arbitrator

Signature Date

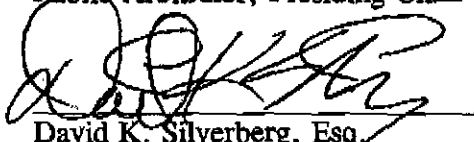
December 1, 2000
Date of Service (For NASD office use only)

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Henry W. Cornell, III
Public Arbitrator, Presiding Chair

Signature Date



David K. Silverberg, Esq.
Public Arbitrator

11/30/00

Signature Date

Roy R. Neureuter
Industry Arbitrator

Signature Date

December 1, 2000
Date of Service (For NASD office use only)

Concurring Arbitrators' Signatures

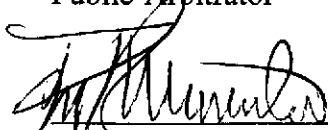
I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Henry W. Cornell, III
Public Arbitrator, Presiding Chair

Signature Date

David K. Silverberg, Esq.
Public Arbitrator

Signature Date



Roy R. Neureuter
Industry Arbitrator

November 20, 2000
Signature Date

December 1, 2000
Date of Service (For NASD office use only)