

Pace Securities Clinic Aids Small Investors

BY PENNY SINGER

SO, you feel that you have been victimized and betrayed by your broker. The problem is you have not lost enough to make it worthwhile for a lawyer to handle your case.

"It has become increasingly difficult for small investors with claims of \$20,000 or less to find attorneys," said Barbara Black, a professor of law at Pace University Law School in White Plains. "When the problems of small investors looking for legal representation were aired at a series of town meetings" held by S.E.C. Chairman Arthur Levitt, Mr. Levitt decided those investors needed help."

Help in the form of arbitration. The Securities and Exchange Commission approached a group of law schools to set up securities arbitration clinics for hapless small investors.

"We were the first in the country to do so since we were able to start the program quickly by expanding the scope of our existing law clinics, which handle criminal and domestic violence cases," said Ms. Black, who teaches securities law. "We inaugurated the Pace Securities Arbitration Clinic, a pilot program, last year. What it does is allow senior law students, working under faculty supervision, to assist and represent investors whose cases might never otherwise be heard. In helping a small investor prepare for arbitration, you level the playing field."

Pace law students, who receive credit for the program, are chosen by Professor Black. "We had 15 applications for 6 places," she said. "I look for those who are committed to working hard, who show signs of maturity and the ability to further develop their skills."

She said, however, that the program is closely monitored and students can only give legal advice under her supervision. Students' client work is supplemented by classroom instruction and weekly seminars, which often feature speakers from the S.E.C. and other industry groups. Alan Zoccolillo, 25, a fourth-year evening law student, applied to and was chosen for the program last year.

"I wanted hands-on experience, and that is what I got," Mr. Zoccolillo said. "It was fantastic, working with actual clients, not just topics in law books."

Most investors who come to the clinic for help are hard-working people who have been victimized, Mr. Zoccolillo said. "They know they have been taken advantage of, and they don't know where to turn. We



Pace seminar, with, from left, Jason Bier, Leonard Klingbaum, Robert Claussen, Sumiko Kanazawa.

help them file their claim and represent them in arbitration. Our first case is coming to arbitration now, eight months after we got the case."

Mr. Zoccolillo, who was an intern at a large law firm this summer, was offered a job in the same firm after he graduates.

"I feel my clinic experience has been a big advantage," he said. "While I was still a student, I was able to actually practice law under the supervision of a mentor."

Many cases involve misunderstandings, Professor Black said. "The investor and the broker-dealer both present very different sides of the story," she said. "How do you determine the truth? You listen; you collect documents and records from the investor and from the broker-dealer. Then you piece together the history of the transaction and lay it out, giving everyone a better understanding of the facts in the case."

Six law students working in teams of two have already started working with several investors. Specific cases, however, cannot be discussed, Ms. Black, said, citing lawyer-client privilege. "But I can say that these are all middle-income, hard-working individuals who have had bad experiences with brokers or brokerage firms," she said. "A hypothetical example would be someone earning \$40,000 a year, persuaded by a high-pressure broker making a 'cold' call,

to open an account and invest his nest egg —\$15,000 — in a highly speculative I.P.O. of a small company that had no track record," she said of an initial public offering. "The investor may have been told this was a once-in-a-lifetime opportunity to get in on the ground floor. Instead, he lost his entire investment. Most cases involve unsuitable investments and broker misrepresentation of the level of risk."

Other scenarios involve recommendations to elderly couple living on a fixed income to buy high-risk stocks. "And clients have been strung along until they had no money left," Ms. Black said. "Brokers disappear; the office wouldn't take calls. All sorts of things happen."

Last year the clinic fielded 75 inquiries and handled 6 cases. "Claims were filed in May," Ms. Black said. "Five cases are pending, and we're awaiting an arbitration decision on one. When cases go to arbitration, the client pays the National Association of Securities Dealers, the industry's self-regulating group, directly. The fee is about \$500. We'll be handling six cases again this year, although if we had more resources we could easily double or triple the case load: the need is so great. But we can't enlarge the program without putting on more law professors."

To be considered for the clinic, clients, whose yearly income cannot exceed \$75,000, must submit a tax return and fill out a questionnaire. Claims must be less than \$50,000, and the possession of only two major assets, a house and a car, are allowed. Clients must submit proof that they have previously been in touch with three lawyers who declined to represent them because of the nature of their claim or a legal

referral service that also turned them down.

"By the time they reach us, they have tried every avenue and they're very anxious and grateful for our efforts," said Sumiko Kanazawa, 33, a fourth-year evening law student and clinic team member. "This is a great experience for me, meeting and interviewing potential clients," she said. "It is also a responsibility. Acting as a lawyer under a court order, we have to adhere to all the rules that apply to lawyers." Jason Bier, 24, a third-year law student, said the four-credit clinic course focused his interest on securities arbitration. "I have always been interested in

Help in cases that might otherwise never be heard.

investing," he said, "and this experience has not only given me insight into the industry but an opportunity to help others." Misrepresentation, withholding information, executing incomplete trades that go wrong are among the most common complaints investors make against brokers and brokerage houses. "Often investors don't even know what happened to them," Mr. Bier said. "We will take them step by step through their accounts to try to show them where the minefields exist."

The number to call for more information on the clinic is 422-4333, ext. 1.

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