

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Jack B. Cohen and
Betty L. Cohen

Claimants

vs.

Wedbush, Noble, Cook, Inc.

Respondent

CASE NO. 88-02064

SUMMARY OF ISSUES

In a claim filed with the NASD on June 27, 1988, Claimants alleged that the actions of Respondent in involuntarily liquidating certain securities in Claimants' accounts constituted breach of contract, breach of fiduciary duty, and possible fraud. Specifically, Claimants alleged that Respondent represented that it would maintain a margin maintenance requirement of 30% in connection with Claimants' accounts; that they were informed for the first time that their margin requirement was 40% on the morning in which their account executive verbally informed them of a margin call issued by Respondent; that Respondent liquidated securities in Claimants' accounts on the same day the margin call was issued without providing Claimants the opportunity to meet it; and that Respondent's block sale of 100,000 shares of one issue depressed the price of the security.

Respondent denied the allegations and maintained that it acted properly and in good faith in liquidating securities in Claimants' accounts; that it gave notice of the margin call based on all the relevant state, federal and industry requirements; they were further authorized to liquidate Claimants' securities based on the contract entered into between Claimants and Respondent; and that Claimants were advised by Respondent in December, 1986, two months prior to the margin call issued, that because their accounts were heavily margined and their portfolios were concentrated in three interrelated companies their margin requirements were 40%.

DAMAGES AND RELIEF REQUESTED

Claimants requested damages, as amended at the hearing, in the amount of \$2,977,242.90 as a result of the involuntary liquidation; additionally, Claimants requested damages of \$1,223,758.85 representing the sum required to repurchase the same positions at the highest intermediate price, or alternately, the amount of \$895,635.00 to repurchase two days later. Claimants further requested interest from February 25, 1987, punitive damages equal to a sum sufficient to punish Respondent, and attorney's fees and costs.

Respondent requested dismissal of the claim.

DAMAGES AND RELIEF AWARDED

On August 31 and September 1, 1989 the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants on June 22, 1988 and by Respondent Wedbush Securities, Inc. on August 11, 1988. The hearing was held in Los Angeles, California and consisted of five hearing sessions. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Wedbush, Noble, Cook, Inc. is hereby liable for and shall pay to Claimants the sum of Six Hundred Thousand Dollars and Zero Cents (\$600,000.00) calculated as follows:

- a. Actual damages in the amount of \$480,000.00; and
- b. Interest at the rate of 10% in the amount of \$120,000.00

2. The parties shall each bear their respective costs including attorney's fees.

3. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedures:

a. The NASD shall retain the \$1,000.00 filing fee previously deposited by the Claimant;

b. Respondent is assessed the sum of \$1,000.00 representing the filing fee and shall reimburse Claimants directly; and

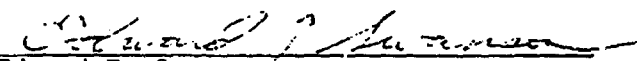
c. Respondent is further assessed the sum of \$4,000.00 representing forum fees and shall pay this amount to the NASD, Inc. directly.

OTHER ISSUES

The parties stipulated at the hearing to the execution and service of this award in counterpart copies.

ARBITRATORS CONCURRING

DATE SERVED: 09/25/89


Edward T. Swanson

Ian L. Sitren

Mary E. Cobb

DAMAGES AND RELIEF AWARDED

On August 31 and September 1, 1989 the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants on June 22, 1988 and by Respondent Wedbush Securities, Inc. on August 11, 1988. The hearing was held in Los Angeles, California and consisted of five hearing sessions. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Wedbush, Noble, Cook, Inc. is hereby liable for and shall pay to Claimants the sum of Six Hundred Thousand Dollars and Zero Cents (\$600,000.00) calculated as follows:

- a. Actual damages in the amount of \$480,000.00; and
- b. Interest at the rate of 10% in the amount of \$120,000.00

2. The parties shall each bear their respective costs including attorney's fees.

3. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedures:

a. The NASD shall retain the \$1,000.00 filing fee previously deposited by the Claimant;

b. Respondent is assessed the sum of \$1,000.00 representing the filing fee and shall reimburse Claimants directly; and

c. Respondent is further assessed the sum of \$4,000.00 representing forum fees and shall pay this amount to the NASD, Inc. directly.

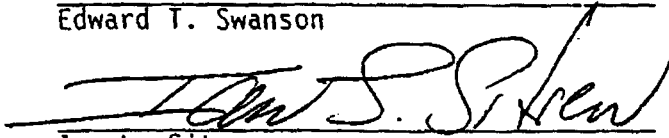
OTHER ISSUES

The parties stipulated at the hearing to the execution and service of this award in counterpart copies.

ARBITRATORS CONCURRING

DATE SERVED: 09/25/89

Edward T. Swanson


Ian L. Sitren

Mary E. Cobb

9003131

DAMAGES AND RELIEF AWARDED

On August 31 and September 1, 1989 the undersigned arbitrators heard the controversy between the parties as set forth in submissions to arbitration signed by Claimants on June 22, 1988 and by Respondent Wedbush Securities, Inc. on August 11, 1988. The hearing was held in Los Angeles, California and consisted of five hearing sessions. The arbitration panel, having considered the pleadings, the testimony, and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

1. Respondent Wedbush, Noble, Cook, Inc. is hereby liable for and shall pay to Claimants the sum of Six Hundred Thousand Dollars and Zero Cents (\$600,000.00) calculated as follows:

- a. Actual damages in the amount of \$480,000.00; and
- b. Interest at the rate of 10% in the amount of \$120,000.00

2. The parties shall each bear their respective costs including attorney's fees.

3. Pursuant to Section 43 of the National Association of Securities Dealers, Inc. ("NASD") Code of Arbitration Procedures:

a. The NASD shall retain the \$1,000.00 filing fee previously deposited by the Claimant;

b. Respondent is assessed the sum of \$1,000.00 representing the filing fee and shall reimburse Claimants directly; and

c. Respondent is further assessed the sum of \$4,000.00 representing forum fees and shall pay this amount to the NASD, Inc. directly.

OTHER ISSUES

The parties stipulated at the hearing to the execution and service of this award in counterpart copies.

ARBITRATORS CONCURRING

DATE SERVED: 09/25/89

Edward T. Swanson

Ian L. Sitren

Mary E. Cobb
Mary E. Cobb

9003/31

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Jack B. and Betty L. Cohen

Claimant

vs.

Wedbush, Noble, Cooke, Inc.

Respondent

REPORT OF
ARBITRATORS

CASE NO. 88-02064

The undersigned arbitrators issue this Report of Arbitrators as follows:

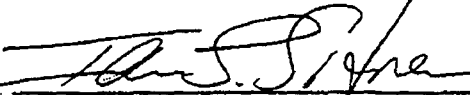
1. In response to Respondent's inquiry dated October 13, 1989, the Panel rendered the award based upon the evidence presented at the hearing, Claimant demonstrated that an insufficient opportunity was given to meet the margin/maintenance call, and there was inadequate notice concerning later involuntary liquidation; and

2. In response to Claimants' inquiry dated October 19, 1989, the Panel applied what it considered to be the appropriate method by which damages should be determined, after considering the various standards suggested by both parties.

CONCURRING ARBITRATORS

DATE SERVED: 12/12/89

Edward T. Swanson



Ian L. Sitren

Mary E. Cobb

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Jack B. and Betty L. Cohen

Claimant

vs.

Wedbush, Noble, Cooke, Inc.

Respondent

REPORT OF
ARBITRATORS

CASE NO. 88-02064

The undersigned arbitrators issue this Report of Arbitrators as follows:

1. In response to Respondent's inquiry dated October 13, 1989, the Panel rendered the award based upon the evidence presented at the hearing, Claimant demonstrated that an insufficient opportunity was given to meet the margin/maintenance call, and there was inadequate notice concerning later involuntary liquidation; and

2. In response to Claimants' inquiry dated October 19, 1989, the Panel applied what it considered to be the appropriate method by which damages should be determined, after considering the various standards suggested by both parties.

CONCURRING ARBITRATORS

DATE SERVED: 12/12/89Edward T. Swanson
Edward T. SwansonIan L. SitrenMary E. Cobb

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the Matter of the Arbitration Between

Jack B. and Betty L. Cohen

Claimant

vs.

Wedbush, Noble, Cooke, Inc.

Respondent

REPORT OF
ARBITRATORS

CASE NO. 88-02064

The undersigned arbitrators issue this Report of Arbitrators as follows:

1. In response to Respondent's inquiry dated October 13, 1989, the Panel rendered the award based upon the evidence presented at the hearing, Claimant demonstrated that an insufficient opportunity was given to meet the margin/maintenance call, and there was inadequate notice concerning later involuntary liquidation; and

2. In response to Claimants' inquiry dated October 19, 1989, the Panel applied what it considered to be the appropriate method by which damages should be determined, after considering the various standards suggested by both parties.

CONCURRING ARBITRATORS

DATE SERVED: 12/12/89

Edward T. Swanson

Ian L. Sitren

Mary E. Cobb
Mary E. Cobb
