

NASD REGULATION AWARD, INC.

In the Matter of the Arbitration Between

Name of Claimants

Hin Wai Law and Wai Ling Chien

92-02683

Name of Respondents

Reich & Co., Inc. (Reich #1)
Bear, Stearns Securities Corp.
Kin K. Lam
Fahnestock & Co., Inc.
Reich & Co., Inc. (Reich #2)

REPRESENTATION

For Claimants Hin Wai Law and Wai Ling Chien appeared Martin J. Siegel, Esq., with law offices in New York, New York.

Respondent Reich & Co., Inc. ("Reich #1") did not appear at the hearing in this matter.

Claimants settled their claims against Respondent Bear, Stearns Securities Corp. ("Bear Stearns") prior to the hearing in this matter, and, therefore, no representative appeared at the hearing on behalf of Bear Stearns.

Claimants' claims against Respondent Kin K. Lam ("Lam") were discharged in bankruptcy, and, therefore, no representative appeared at the hearing on behalf of Lam.

Respondent Fahnestock & Co., Inc. ("Fahnestock") did not appear at the in this matter.

For Respondent Reich & Co., Inc. ("Reich #2") appeared Eric J. Shames, Esq., in-house counsel for Reich #2.

CASE INFORMATION

Statement of Claim was filed on August 7, 1992. Statement of Amended Claim was filed on February 16, 1994. Claimants' Submission Agreements were signed on August 6, 1992 and April 28, 1994.

Statement of Answer was filed by Reich #1 on November 10, 1992. Reich #1's Submission Agreement was signed on November 9, 1992.

Statement of Answer was filed by Bear Stearns on November 10, 1992. Bear Stearns' Submission Agreement was signed on November 9, 1992.

Statement of Answer was filed by Lam on November 10, 1992. Lam's Submission Agreement was signed on November 6, 1992.

Joint Statement of Answer was file by Fahnstock and Reich #2 on July 17, 1994. Fahnstock and Reich #2 did not file Submission Agreements in this matter.

HEARING INFORMATION

Pre-Hearing Conferences:	July 20, 1993	-	One Arbitrator
	January 18, 1994	-	Full Panel
Hearing Dates/Sessions:	December 11, 1996	-	One Session
	February 12, 1997	-	One Session
	May 28, 1997	-	Two Sessions

The hearings were held at the offices of NASD Regulation, Inc. located in New York, New York.

CASE SUMMARY

Claimants alleged that in January 1992 they opened an account with Respondent Reich & Co. Inc. (# 1) and that respondent Kin K. Lam was employed by Reich #1 to manage Claimants' account. Claimants further alleged that when they opened the account they advised Lam that they wanted only conservative investments. Claimants also alleged that, despite their expressed desire for only conservative investments, Lam, with the full knowledge and consent of Reich #1 engaged in a pattern of unauthorized, extensive and inappropriate trading in Claimants' account, and pressured Claimants to invest in speculative and inappropriate investments. Claimants alleged that as a result of the foregoing activities, which amounted to a "feeding frenzy" Respondent Lam was able to generate thousands and thousands of dollars in commissions and caused Claimants to suffer damages of approximately \$200,000. Claimants alleged that Reich #1 failed to supervise Lam. Claimants further alleged that Respondents' conduct was intentional, malicious and fraudulent.

Claimants alleged that, sometime in or about April 1993, Reich # 1 transferred its name and assets to an entity known as Vantage Securities, and that thereafter Vantage transferred all of its assets and the name Reich & Co., Inc. to Respondent Reich & Co. Inc. (# 2). Claimants further alleged that, sometime in or about October 1993, Reich # 2 was acquired by Respondent Fahnstock & Co. Inc. Claimants also alleged that Reich # 2 now operates freely and openly at the same location as Reich # 1 and that Reich #1 is now known as 500 Hanover Corp.

Claimants alleged that the foregoing transfers constituted a "giant shell game" whose purpose was to evade and avoid responsibility to numerous Claimants and creditors such as the Claimants herein.

Respondent Reich & Co. (Reich #1) acknowledged that Lam was its registered representative. Reich #1 alleged that it maintained several accounts for Claimants, but that the Claimants were complaining about only one of the accounts. Reich # 1 denied that it breached any duty to Claimants and denied that there were any improper trading practices in Claimants' accounts. Reich # 1 alleged that Claimants were both experienced investors who had stock-trading accounts long before they met Lam or Reich #1. Reich #1 alleged that it and Lam maintained a balanced portfolio for Claimants' accounts, and that the account which is the subject of the arbitration was designed, with Claimants' knowledge, as a trading vehicle for the small capitalized companies in which Lam specialized. Reich #1 alleged that the losses alleged by Claimants resulted from adverse market conditions and not improper conduct on the part of Respondents.

Respondents Fahnestock and Reich # 2 denied knowledge of or liability for the transactions at issue and denied that they had successor liability.

RELIEF REQUESTED

Claimants requested damages in the amount of \$200,000.00, plus punitive damages, and attorneys' fees.

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.

Claimants' claims against Lam were discharged in bankruptcy. Lam's Counterclaims against Claimants were withdrawn with prejudice.

Claimants settled their claims against Bear Stearns.

AWARD

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

1. The panel finds that Claimants have not established any of their claims, and, therefore, Claimants' claims against Respondents are dismissed in their entirety.
2. Each party shall bear their own costs.

3. All other claims are hereby denied.

FORUM FEES

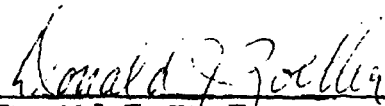
Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the following arbitrators have determined that NASD Regulation, Inc. will retain the \$200.00 filing fee paid by Claimants and have assessed the following forum fees:

1 pre-hearing conference (one arbitrator)	= \$ 300.00
1 pre-hearing conference (panel)	= \$ 750.00
4 hearing sessions x \$750.00	= <u>\$3,000.00</u>
Total forum fees	= \$4,050.00

1. Claimants are hereby liable for the sum of \$2,025.00, representing one-half of the total amount of forum fees assessed. Claimants previously deposited \$750.00 with NASD Regulation, Inc., and, therefore, Claimants are liable and shall pay the balance of \$1,275.00.
2. Respondents Reich #1, Fahnstock, and Reich #2 are hereby jointly and severally liable for the sum of \$2,025.00, representing one-half of the total amount of forum fees assessed.

Fees are payable to the NASD Regulation, Inc.

Arbitrators' Signatures



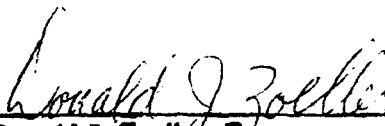
Donald J. Zoeller, Esq.
Chairperson-Public Arbitrator

Ann C. Northern, Esq.
Public Arbitrator

Robert L. Spangler
Industry Arbitrator

Date of Decision: January 7, 1998

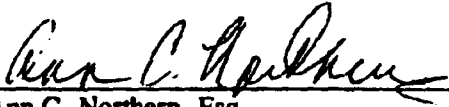
I, Donald J. Zoeller, Esq., do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Donald J. Zoeller, Esq.

Arbitrators' Signatures

Donald J. Zoeller, Esq.
Chairperson-Public Arbitrator

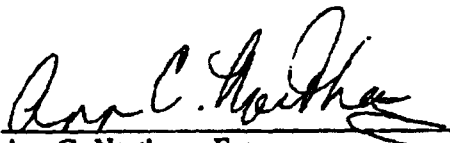


Ann C. Northern, Esq.
Public Arbitrator

Robert L. Spangler
Industry Arbitrator

Date of Decision: January 7, 1998

I, Ann C. Northern, Esq., 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.



Ann C. Northern, Esq.

Arbitrators' Signatures

Donald J. Zoeller, Esq.
Chairperson-Public Arbitrator

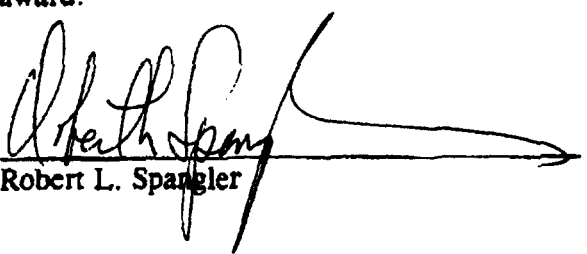
Ann C. Northern, Esq.
Public Arbitrator



Robert L. Spangler
Industry Arbitrator

Date of Decision: January 7, 1998

I, **Robert L. Spangler**, 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.



Robert L. Spangler