

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the matter of the Arbitration Between

Name of Claimants

Mikhail and Svetlana Mollazadeh

NASD Arbitration
No.93-00792

Name of Respondents

American Eastern Securities, Inc.,
Lindsey Gintner and
Norwin Wong

REPRESENTATION

For Claimants: Robert J. Waechter, Esq., Los Angeles, California.

For Respondents: Douglas J. Rovens, Esq., Los Angeles, California.

CASE INFORMATION

Statement of Claim filed: March 3, 1993

Claimant's Submission Agreement signed: February 25, 1993

Joint Statement of Answer and Cross-Claim filed by Respondents: April 29, 1993

Respondents' Submission Agreements signed:

Wong	-	March 23, 1993
Gintner	-	March 23, 1993
American Eastern	-	March 23, 1993

HEARING INFORMATION

Hearing Dates / Sessions:

January 13, 1994	-	Two sessions
February 15, 1994	-	Three sessions

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimants alleged:

Failure to follow customers' written investment objectives, unsuitable recommendations and unauthorized transactions, excessive trading, misrepresentation, negligence, failure to fulfill margin account requirements and breach of fiduciary duty in the purchase and sale of various securities not specified in the Statement of Claim except for Repligen and Quarterdeck.

Claimants Mikael and Svetlana Mollazadeh (Claimants) were married and had two minor children. They emigrated to the United States in 1979 and had limited knowledge and understanding of investments. Mr. Mollazadeh opened an account using credit against the equity in his home, which was transferred to respondent American Eastern (AES) in May 1991. Respondent Lindsey Gintner (Gintner) advised him to keep his account open and that he would personally manage the transactions. Claimants repeatedly reminded Gintner of their conservative objectives. Gintner, nevertheless, engaged in trading speculative low priced stocks and options, in amounts beyond Claimants' ability to pay and never disclosing the risks. Gintner advised Claimants to let him "take care of things" when confronted with losses.

Gintner also did not sell securities, after calling Claimants to advise that he would have to do so, to meet a margin call, resulting in Claimants incurring a debit balance with AES. Respondent Norwin Wong (Wong) was involved in several transactions, was aware of the investment objectives and was an executive on Claimants' account. AES failed to exercise proper supervision over its employees.

Respondents alleged in their Answer and Cross-Claim:

Denial of all substantive allegations in the Statement of Claim. Claimants made all of the investment decisions and received confirmations and monthly statements identifying all trades. They never complained of any unauthorized trades. Claimants opened an account at AES on May 1, 1991, requested the opportunity to trade on margin and listed as one of their objectives "Speculative Gains." Mr. Mollazadeh represented he had three years of prior investment experience in trading stocks and options and signed margin and options agreements. Mr. Mollazadeh's prior trading record of previous broker dealers evidences continuous trading in speculative securities - mostly options. All of his trades with AES were unsolicited.

Claimants continually interfered with the trading in their account, even after hiring a registered investment advisor. Mr. Mollazadeh was repeatedly told by Gintner and Wong not to trade options. When Claimants were informed that his stocks showed a loss and AES had to sell out the positions, Mr. Mollazadeh requested the portions not be sold. The price of one of the stocks dropped precipitously the next day and both positions had to be liquidated at a loss.

Respondents asserted a cross-claim for a debit balance incurred as a result of Claimants' aggressive trading. Respondents also asserted breach of contract, common law fraud and

securities law fraud based on Mr. Mollazadeh's failure to inform them at the time he opened his account and when trades were executed, that he intended to benefit from the profitable trades, but also intended to make false and fraudulent claims in a wrongful attempt to recoup losses.

Claimants alleged in their reply to Respondents' Cross-Claim:

When Gintner called to advise that Claimants' equity had fallen below the percentage required, Claimants told him specifically to sell stock. When Claimants called later that same day to inquire if stock had been sold, Gintner said something to the effect that the order did not go through and he would try again tomorrow. There was no reason Claimants had to hold the positions since they had been dealing continuously and he could not expect the price to suddenly increase.

Furthermore, Respondents were required to liquidate the positions, in accordance with NASD rules, because Claimants' equity had fallen below the amount required. If the stock had been sold, Claimants would not have had a debit balance.

RELIEF REQUESTED

Claimants requested:

1. Compensatory damages of \$70,205.00;
2. Punitive damages as the panel may determine;
3. Interest paid from September 1991 through June 1992 (\$5,428.00);
4. Interest on any damages awarded from the date of the final loss;
5. Costs and reasonable attorneys' fees.

Respondents, in their Cross-claim, requested:

1. Compensatory damages for the debit balance of \$3,462.20;
2. Interest on the debit balance from July 1, 1992 at the legal rate of 10%;
3. Costs;
4. Attorneys' fees;
5. Punitive damages.

OTHER ISSUES CONSIDERED AND 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 original remains on file with the NASD.

AWARD

After considering the pleadings, the testimony and the evidence presented at the

hearing, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. All claims are dismissed;
2. All cross-claims are dismissed;
3. All claims for punitive damages are dismissed;
4. The parties shall each bear their respective attorney's fees;
5. The parties shall each bear their respective costs.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed:


Total fees:		
Five sessions @ \$500 / session	-	\$2,500.00
Claimants' Share:		
Two and one-half sessions @ \$500 / session	-	\$1,250.00
Less hearing session deposit previously paid	-	\$500.00
Balance due	-	<u>\$750.00</u>
Respondents' Share (joint & several):		
Two and one-half sessions @ \$500 / session	-	<u>\$1,250.00</u>

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

ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
Libbe Murez	Public Chairperson
Frank Hodgson	Public Panelist
Luis Ruiz	Industry Panelist

Concurring Arbitrators' Signatures



Served April 20, 1994