

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

In the matter of the Arbitration Between

Name of Claimants

Emmet C. San Agustin, Pradeep Bajaj, Reena Bajaj JTEN,
Nosrat Nabavi, M.D., and Fernando Sabado

NASD Arbitration
No. 94-00586

Name of Respondents

Gilford Securities, Inc. and Elias Argyropoulos

REPRESENTATION

For Claimant: James E. Herman, Esq.
Rogers, Sheffield & Herman
Santa Barbara, California

For Respondent: Timothy McGonigle, Esq.
Ruben & McGonigle
Los Angeles, California

CASE INFORMATION

| | |
|--|-------------------|
| Statement of Claim filed: | February 16, 1994 |
| First Amended Statement of Claim filed: | March 1, 1995 |
| Second Amended Statement of Claim filed: | July 27, 1995 |
| Third Amended Statement of Claim filed: | November 28, 1995 |
| Claimant Emmet C. San Agustin's Submission Agreement signed: | March 12, 1994 |
| Claimants Pradeep and Reena Bajaj, JTEN Submission Agreements signed: | March 18, 1994 |

Claimant Nosrat Nabavi's
Submission Agreement signed: March 10, 1994

Claimant Fernando Sabado's
Submission Agreement signed: March 13, 1995

Joint Statement of Answer filed by Respondents: June 7, 1994

Respondent Gilford Securities, Inc.'s
Submission Agreement signed: June 2, 1994

Respondent Elias Argyropoulos'
Submission Agreement signed: July 10, 1995

HEARING INFORMATION

Pre-Hearing Conference Date / Session: March 22, 1995 (1 session)
June 1, 1995 (1 session)
June 2, 1995 (1 session)
July 11, 1995 (1 session)
August 23, 1995 (2 sessions)

Hearing Dates / Sessions: August 28, 1995 (2 sessions)
August 29, 1995 (2 sessions)
August 30, 1995 (2 sessions)
August 31, 1995 (2 sessions)
September 1, 1995 (2 sessions)
February 5, 1996 (2 sessions)
February 6, 1996 (2 sessions)
February 7, 1996 (2 sessions)
February 8, 1996 (2 sessions)
February 9, 1996 (2 sessions)
February 26, 1996 (2 sessions)
February 27, 1996 (2 sessions)
February 28, 1996 (2 sessions)
February 29, 1996 (3 sessions)
March 7, 1996 (2 sessions)

Hearing Location: Los Angeles, California

CASE SUMMARY

Claimants alleged violations of the Securities Exchange Act of 1934 and Rules and Regulations thereunder and the California Corporations Code, breach of fiduciary duty, professional negligence, failure to supervise, common law fraud, misrepresentation, violations of Racketeer Influenced and Corrupt Practices Act ("RICO") and the Rules of the National Association of Securities Dealers, Inc. ("NASD"). The types of securities involved were publicly traded and privately placed shares of common stock.

Respondents denied Claimants' allegations and alleged various affirmative defenses.

RELIEF REQUESTED

Claimants requested the following relief:

- 1) In excess of \$100,00.00 for the BAJAJS, including lost equity, commissions, margin interest and profits;
- 2) In excess of \$100,00.00 for SAN AGUSTIN, including lost equity, commissions, margin interest and profits;
- 3) In excess of 225,000.00 for NABAVI including lost equity, commissions, margin interest and profits;
- 4) Punitive damages.

Respondents requested dismissal with prejudice, legal fees and costs.

OTHER ISSUES CONSIDERED AND DECIDED

The parties have agreed that the Award in this matter may be executed in either 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.

The claims of Mr. Sabado were dismissed with prejudice.

The claims of Mrs. Sabado were dismissed without prejudice.

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. The Arbitrators find no violations of RICO as to all Claimants.
2. The Arbitrators find that Claimants have proven their other allegations and are entitled to compensatory damages.
3. The Arbitrators find that Respondent Gilford improperly and inadequately supervised Respondent Elias Argyropoulos ("Argyropoulos") and in doing so manifested a conscious disregard of Claimants' rights, and that awards of punitive damages are appropriate. In reaching this conclusion, and in determining the amounts of the respective awards, they have taken into consideration: the character and degree of Respondent Gilford's improper and inadequate supervision; that the awards should have a reasonable relationship to the harm which is likely to result from Respondent Gilford's conduct and the harm that actually resulted; the benefits which accrued to Respondent Gilford from Respondent Argyropoulos' activities relating to Claimants; Respondent Gilford's financial condition; and prior disciplinary action against Respondent Gilford.
4. Respondents, jointly and severally, shall pay to Claimant Emmet C. San Agustin \$101,000.00 as compensatory damages and Respondent Gilford shall pay to such Claimant \$80,000.00 as punitive damages.
5. Respondents, jointly and severally, shall pay to Claimants Pradeep Bajaj and Reena Bajaj Jt. Ten. \$163,000.00 as compensatory damages and Respondent Gilford shall pay to such Claimants \$95,000.00 as punitive damages.
6. Respondents, jointly and severally, shall pay to Claimant Nosrat Nabavi, M.D. \$316,000 as compensatory damages and Respondent Gilford shall pay to such Claimant \$150,000.00 as punitive damages.
7. Respondents, jointly and severally, shall pay all forum fees associated with this arbitration.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed against Respondents Gilford Securities, Inc. and Elias Argyropoulos jointly and severally:

| | | |
|---|---|--------------------|
| Six Pre-Hearing Conferences @ \$300.00 / Session | = | \$1,800.00 |
| <u>Thirty-One Hearing Sessions @ \$750.00 / Session</u> | = | <u>\$23,250.00</u> |
| Total Forum Fees Assessed | = | \$25,050.00 |
| Forum Fee Total | = | \$25,050.00 |
| Respondents' Balance Due | = | \$25,050.00 |

Claimants' Hearing Session Deposit of \$750.00 shall be refunded to the Claimants by the NASD.

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

ARBITRATORS

| <u>Name</u> | <u>Public / Industry</u> |
|-------------------------|--------------------------|
| Henry Pollard, Esq. | Public Arbitrator |
| Michael W. Burnett, PhD | Industry Arbitrator |
| David Menaker | Public Arbitrator |

Concurring Arbitrators' Signatures



Henry Pollard, Esq.

Michael W. Burnett, PhD

David Menaker

Date of Decision: _____

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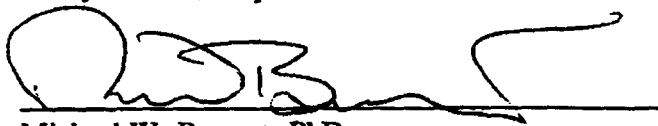
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Concurring Arbitrators' Signatures

Henry Pollard, Esq.



Michael W. Burnett, PhD

David Menaker

Date of Decision: 4/25/96

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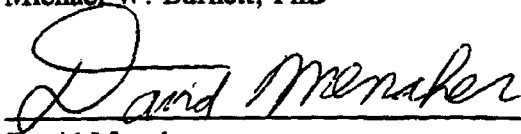
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| David Menaker | Public Arbitrator |

Concurring Arbitrators' Signatures

Henry Pollard, Esq.

Michael W. Burnett, PhD



David Menaker

Date of Decision: 6/17/96