

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of Arbitration Between

Name of Claimant

Ran Liang

v.

Case # 94-1707

Name of Respondents

Nick Hua,
Investors Associates, Inc.,
Prudential Securities, Inc.,
Growth Capital Management, Inc.

REPRESENTATION

For Claimant Ran Liang: Boris J. Lewyckyj, Esq., New York, NY

For Respondent Nick Hua: Gerald E. Marcus, Esq., Hamden CT

For Respondent Investors Associates, Inc: Lawrence R. Gelber, Esq. of the law firm Beigel, Schy, Lasky, Rifkind, Fertick & Gelber, New York, NY

For Respondent Prudential Securities, Inc: Martin Hunger of Prudential Securities, Inc., New York, NY

CASE INFORMATION

Claimant's Statement of Claim filed: May 6, 1994

Claimant's Submission Agreement signed on: April 4, 1994

Respondent Nick Hua's Statement of Answer filed: July 20, 1994

Respondent Nick Hua's Submission Agreement signed on: July 19, 1994

Respondent Investors Associates, Inc.'s Statement of Answer filed: June 28, 1994

Respondent Investors Associates, Inc.'s, Submission Agreement signed on: June 22, 1994

Respondent Prudential Securities, Inc.'s Statement of Answer filed: July 21, 1994

Respondent Prudential Securities, Inc.'s Submission Agreement signed on: July 19, 1994

Respondent Growth Capital Management, Inc., was a non-member of the NASD without a contract to arbitrate Claimant's claims and did not voluntarily submit to arbitration.

HEARING INFORMATION

Hearing dates/sessions:	Pre-Hearing Conference	April 7, 1995	1 Session
	Hearings:	April 25, 1995	2 Sessions
		April 26, 1995	2 Sessions
		May 2, 1995	2 Sessions
		May 3, 1995	2 Sessions

Hearing Location: The hearings were held at the offices of the National Association of Securities Dealer, Inc. located in New York, New York.

CASE SUMMARY

Claimant, Ran Liang ("Ms. Liang"), alleged that on or about September 1992 Respondent, Nick Hua ("Mr. Hua"), with the knowledge and consent of Respondents, Prudential Securities, Inc. ("Prudential"), Investors Associates, Inc. ("IAI"), and Capital Growth Management ("CGM"), solicited Ms. Liang to open a securities account and in doing so made knowingly false and misleading statements which were made with the intent to deceive and defraud Ms. Liang. Claimant alleged that Mr. Hua's statements included, but were not limited to, that the investments in Claimant's account would be of low risk; that Mr. Hua's experience would allow him to control the risk in Claimant's account; and that since both Mr. Hua and Ms. Liang were both Chinese, Mr. Hua would make special efforts to protect Ms. Liang from losses.

Claimant further alleged that based upon the information provided in her new account form the Respondents knew or should have known that she was an unsophisticated investor seeking low income producing investments.

Claimant next alleged that on or about September 9, 1992, she issued a check, in the amount of \$8,350.00, made payable to Prudential and that on or about November 10, 1992, on the insistence of Mr. Hua, she issued another check in the amount of \$2,664 also payable to Prudential. Ms. Liang alleged that without her consent, Mr. Hua used the money to purchased

Chambers Development, Inc. ("Chambers"), and Modami Services, Inc. ("Modami") which the Respondents knew or should have known were speculative investments that were unsuitable for Ms. Liang's account. Ms. Liang further alleged that Modami was purchased on margin without her consent or knowledge, and that she did not know, nor was ever informed by any of the Respondents, that the second check was required to cover a margin call on the account. Ms. Liang alleged that Mr. Hua told her the additional funds were need to buy additional stock.

Claimant also alleged that since September 15, 1992, she had not received the required statements from the Respondents; was not informed as to what the equity was in the account; nor was she informed of the commissions being charged and that this failure to disclose information amounted to intentional fraud on the part of the Respondents.

Claimant further alleged that on or about September 1993, until March 1, 1994, she continually made requests to Respondents to close the account and that even after the close out orders had been issued, Respondents, jointly and severally, continued to make trades in the Claimant's account. Claimant alleged that any transaction in the account from September, 1993 and April 8, 1994 was illegally and fraudulently credited to the account.

Finally, Claimant alleged that the above alleged acts created associations in fact between Respondents and that Respondents conspired to create a scheme and artifice for the purpose of defrauding and perpetuating a confidence scam upon members of the Chinese community which violated the provisions of the Racketeer Influenced and Corrupt Organizations Act.

Respondent, Mr. Hua, maintained that in August 1992, Claimant asked him to open a margin account for her at IAI and stated that she (Ms. Liang) had a liquid net worth of \$50,000 and had previously participated in the commodities market. Mr. Hua maintained that before opening the margin account he explained the risks of such an account and the differences between the commodities market and stock market to Claimant.

Mr. Hua further maintained that in September 1992 he called Claimant and recommended that she buy 1,000 share of Chambers and requested a check for half of the total purchase price. However, Mr. Hua maintained that Claimant sent the full purchase price for the stock (\$8,500) and explained to Mr. Hua that she wanted to have money available to buy additional stock. Mr. Hua maintained that on September 14, 1992, 1,000 shares of Chambers was purchased in Claimant's account and that there was no balance in the account, debit or otherwise.

Mr. Hua maintained that his recommendation was made in good faith, but that, Chambers had not been truthful in its financial reporting and that once that information became public the price began to decline. Mr. Hua further maintained that on or about October 22, 1992, he informed Claimant that the price of Chambers had fallen below her cost and suggested that she sell Chambers in order to purchase 1,000 shares of Modami, a new issue, which could not be bought on margin.

Mr. Hua maintained that Claimant agreed to the sale of Chambers and the purchase of Modami, and as a result of the transactions there was a debit in the account of \$2,664.00 since the sale of Chambers was not enough to cover the purchase of Modami. Mr. Hua maintained that he informed Claimant of the debit balance and requested payment, which was made and credited to the Claimant's account on November 11, 1992.

Mr. Hua additionally maintained that subsequent to the above transactions no other transactions were made in Claimant's account until the purchase of Modami and that at all times during the life of the account monthly statements were sent to the Claimant showing all account activity.

Respondent, Prudential, maintained that it was made a party to the arbitration solely on the fact that it acted as clearing firm for IAI and that at all times IAI and not Prudential, had exclusive control over, and responsibility for, the placement of order in the Claimant's account.

Prudential maintained that Claimant did not speak to anyone at Prudential regarding the opening of the account, nor about any transactions in this account, and that the only contact between Prudential and Claimant, besides account statements, was a letter in connection with the opening of the account.

Respondent IAI denied all claims asserted by the Claimant.

Lastly, the Respondents maintained that there was no showing by the Claimant of a pattern of racketeering activity to substantiate a claim under the Racketeering Influenced Corrupt Organization Act.

RELIEF REQUESTED

Claimant requested treble damages in the amount of \$30,000 based upon violations of the Racketeer Influenced Corrupt Organizations Act.

Respondents, Investor Associates, Inc. requested that all claims be denied and also requested an awarded of costs and legal fees. In addition Investors Associates, Inc. requested sanctions be imposed against Claimant for maintaining a frivolous claim.

Respondent, Nick Hua, requested that all claims be denied.

Respondent, Prudential Securities, Inc. requested that all claims be denied.

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 originals remain 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 hereby dismissed in their entirety.
2. All requests for sanctions and disciplinary referrals are denied.

FORUM FEES

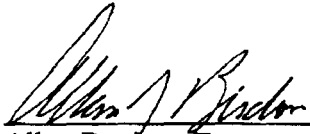
Pursuant to Section 43(c) of the Code of Arbitration Procedure, the arbitrators have assessed the following forum fees:

Pre-Hearing Conference:	\$ 300.00	(1 Session)
Hearing Sessions:	\$2400.00	(8 Sessions x \$300)
Total Forum Fees:	\$2700.00	

1. Claimant is assessed the sum of \$1,350.00 which represents one-half of the forum fees due, less \$400.00 hearing session deposit paid by Claimant, leaving \$950.00 due. Claimant is liable and shall pay to the NASD the sum of \$1,350.00.
2. Respondent, Nick Hua, is assessed the sum of \$450.00. Respondent Nick Hua is liable and shall pay to the NASD the sum of \$450.00.
3. Respondent, Prudential Securities, Inc., is assessed the sum of \$450.00. Respondent Prudential Securities, Inc. is liable and shall pay to the NASD the sum of \$450.00.
4. Respondent, Investors Associates, Inc., is assessed the sum of \$450.00. Respondent Investors Associates, Inc. is liable and shall pay the NASD the sum of \$450.00.

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

ARBITRATOR'S SIGNATURE


Allan Berdon, Esq.
Public Chairperson

Date of decision: June 26, 1995

STATE OF:

SS:

COUNTY OF:

On this 23rd day of June, 1995, before me personally appeared Allan Berdon, Esq. known and known to me to be the individual described in and who executed the foregoing instrument and he duly acknowledged to me that he executed the same.



JACOB M. LEVINE
Notary Public, State of New York
No. 02LE5021709
Qualified in New York County
Commission Expires Dec. 20, 1995