

**N.A.S.D. AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**

In the matter of the Arbitration Between

**Name of Claimants**

Esfandiar Mokhtari and Mehri Matin

v.

NASD Arbitration  
No. 95-00936

**Name of Respondents**

Paulson Investment Company, Inc. and Sadid Lodhi

**REPRESENTATION**

For Claimants: Edward W. Russey, Esq. and Monty G. Griffin  
Law Offices of Jeff Dennis Ferentz  
Newport Beach, California

For Respondents: Keith A. Ketterling, Esq. and Timothy S. DeJong, Esq.  
Stoll, Stoll, Berne, Lokting & Schlachter  
Portland, Oregon

**CASE INFORMATION**

Statement of Claim filed:	February 22, 1995
Amended Statement of Claim filed:	October 4, 1995
Claimants' Submission Agreement signed:	February 15, 1995
Motion to Dismiss and Joint Statement of Answer filed by Respondents:	April 26, 1995
Respondent Paulson Investment Company, Inc.'s Submission Agreement signed:	April 20, 1995
Respondent Sadid Lodhi's Submission Agreement signed:	April 22, 1995

### **HEARING INFORMATION**

Pre-Hearing Conference Date / Session: April 4, 1996 (1 Session)

Hearing Dates / Sessions: April 9, 1996 (2 Sessions)  
April 10, 1996 (2 Sessions)  
May 17, 1996 (3 Sessions)  
May 18, 1996 (2 Sessions)  
May 21, 1996 (1 Session)

Hearing Location: Los Angeles, California

### **CASE SUMMARY**

Claimants alleged that Respondents recommended and executed transactions based upon false, deceptive and misleading information. Claimants further alleged that certain of the recommended investments were unsuitable for the Claimants based upon the Claimants' expressed objectives. Claimants also alleged that Respondents breached the fiduciary duty owed to Claimants. Claimants further alleged that Respondents engaged in unauthorized trading in the Claimants' account. Claimants also alleged that Respondent Paulson breached its duty to supervise its brokers. Claimants further alleged that Respondents engaged in negligent misrepresentation.

Respondents denied the Claimants' allegations of wrongdoing.

### **RELIEF REQUESTED**

Claimants sought compensatory damages of \$27,000.00, lost profits in an amount to be determined, pre-judgment and post-judgment interest at the highest legal rate, punitive damages of at least \$73,000.00, and costs of suit.

Respondents requested that all of the Claimants' claims be dismissed and for an award of their attorney's 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.

### 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. Respondent Lodhi is liable to and shall pay Claimants the sum of \$10,000.00.
2. Respondent Paulson Securities is liable to and shall pay Claimants the sum of \$5,500.00.
3. Respondent Paulson Securities is liable to and shall pay Claimants the sum of \$4,000.00 for arbitration costs pursuant to the NASD Code of Arbitration Procedure.
4. Respondent Paulson Securities is liable to and shall pay Claimants the sum of \$5,500.00 in punitive damages pursuant to J. Alexander Securities, Inc. v. Mendez, 17 Cal. App. 4th 1083 (1993).

### FORUM FEES

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

One Pre-hearing Conference @ \$300.00/Session	=	\$ 300.00
Ten Hearing Sessions @ \$500.00/Session	=	\$5,000.00
Total Fees Assessed	=	\$5,300.00

Respondents are jointly and severally liable for the forum fees totalling \$5,300.00.

Claimants' hearing session deposit of \$500.00 will be refunded by the NASD.

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


**ARBITRATORS**

Name .....	Public / Industry
Diana G. Davis	Public Arbitrator
David Menaker	Public Arbitrator
Leo B. Rotter	Industry Arbitrator

**Concurring Arbitrators' Signatures**

\_\_\_\_\_  
Diana G. Davis

\_\_\_\_\_  
David Menaker

  
\_\_\_\_\_  
Leo B. Rotter

Date of Decision: \_\_\_\_\_

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ARBITRATORS

NASD-ARBITRATION MEDIATION

Name .....	Public / Industry
Diana G. Davis	Public Arbitrator
David Menaker	Public Arbitrator
Leo B. Rotter	Industry Arbitrator

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David Menaker

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Leo B. Rotter

Date of Decision: \_\_\_\_\_

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David Menaker	Public Arbitrator
Leo B. Rotter	Industry Arbitrator

**Concurring Arbitrators' Signatures**

\_\_\_\_\_  
Diana G. Davis

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*David Menaker*  
David Menaker

\_\_\_\_\_  
Leo B. Rotter

Date of Decision: 6/13/96