

NASD REGULATION, INC.
AWARD

In the Matter of the Arbitration Between

Name of Claimant

Summit International Trading and Investment Corporation

vs.

Case No.
95-05394

Name of Respondents

Prudential Securities, Inc.
Ronald Doria

REPRESENTATION

For Claimant Summit International Trading and Investment Corporation ("Claimant") appeared Douglas E. Grover, Esq. of Grover & Bloch, located in New York, New York.

For Respondent Prudential Securities, Inc. ("Prudential") appeared Laura A. Brevetti, Esq., with offices located in New York, New York.

For Respondent Ronald Doria ("Doria") appeared Ronald G. Blum, Esq. of Kavanagh Peters Powell, & Osnato located in New York, New York.

CASE INFORMATION

Claimant's Statement of Claim was filed on November 13, 1995.
Claimant's Submission Agreement was signed on November 8, 1995.

Prudential's Statement of Answer and Cross-Claim were filed on January 16, 1996.
Prudential's Reply to Doria's Cross-Claim was filed on February 14, 1996.
Prudential's Submission Agreement was signed on January 16, 1996.

Doria's Statement of Answer and Cross-Claim were filed on January 16, 1996.
Doria's Reply to Prudential's Cross-Claim was filed February 16, 1996.
Doria's Submission Agreement was filed on January 22, 1996.

HEARING INFORMATION

Pre-Hearing Conferences:

February 7, 1997
February 13, 1997
June 11, 1997

Hearing Dates/Sessions:

November 3, 1997	-	2 Sessions
November 4, 1997	-	2 Sessions
February 24, 1998	-	2 Sessions
February 25, 1998	-	2 Sessions
March 26, 1998	-	2 Sessions
April 2, 1998	-	2 Sessions
April 17, 1998	-	2 Sessions
May 26, 1998	-	2 Sessions
May 28, 1998	-	2 Sessions
June 16, 1998	-	2 Sessions
September 9, 1998	-	2 Sessions
September 18, 1998	-	2 Sessions
October 30, 1998	-	2 Sessions
November 24, 1998	-	2 Sessions
November 25, 1998	-	2 Sessions
January 7, 1999	-	2 Sessions
January 8, 1999	-	1 Session
January 26, 1999	-	2 Sessions
January 27, 1999	-	2 Sessions
February 25, 1999	-	2 Sessions
February 26, 1999	-	2 Sessions
March 4, 1999	-	2 Sessions
May 18, 1999	-	2 Sessions
May 20, 1999	-	2 Sessions
June 14, 1999	-	2 Sessions
June 15, 1999	-	2 Sessions

The pre-hearing conferences were held telephonically. The hearings were conducted at the offices of NASD Regulation, Inc. located in New York, New York and the United States Court House.

CASE SUMMARY

Claimant alleged that, on or about July 15, 1993, Prudential and Doria entered into an agreement with it whereby they agreed to manage, invest, supervise and advise about safe and secure income-producing investments in a diversified portfolio of prudent investments based upon its financial sophistication, experience, and investment objectives. Claimant further alleged that Doria was entrusted with the day-to-day management of its account and was informed by Alexander Volkov ("Volkov") and Vladimir Voloshin ("Voloshin"), principals of the account, that their investment objective was safety of principal and growth. Claimant also maintained that

Volkov and Voloshin further explained to Doria that Summit was acting on behalf of various individuals and business enterprises in the United States and Russia which had advanced monies to it for investment in the United States' securities markets. Claimant alleged that Doria represented to the principals that he was an experienced financial advisor and a "top producer" and, therefore, was able to arrange "special situations" for investment opportunities. Claimant alleged that, during the course of its dealings, both Doria and Prudential engaged in a continuous scheme of concealing improper and fraudulent activities, including, but not limited to: (a) excessive trading of securities in Summit's account; (b) trading and recommending securities and investments unsuitable for Summit's risk preferences and ability to bear losses; (c) undisclosed self-dealing; (d) unauthorized trading; (e) misrepresentations regarding securities and the accounts performance; (f) multiple breaches of fiduciary duty by withholding material information and/or intentionally misleading Summit and its officers regarding the activity in their accounts; and (g) failing to properly maintain accurate, true, and complete books and records of Claimants' accounts, including false entries relating to instructions received for the purchases and sale of securities, in violation of Section 17 of the Securities and Exchange Act of 1934. Claimant further alleged that Doria and Prudential violated Rule 405 of NYSE and Article III, Section 2 of NASD's Rules of Fair Practice, committed fraud, breached its contract, and violated the Racketeer Influenced Corrupt Organizations Act.

Prudential maintained that the two Russian emigres, Volkov and Voloshin, were extremely sophisticated investors who created Summit for the purpose of providing investment advice and investments in the American securities market and elsewhere for institutional and individual clients in the United States and Russia. Prudential further maintained that Volkov and Voloshin represented to it that Summit's net worth was approximately \$50 million and stated that their investment objectives included speculation and hedge. Prudential maintained that, although the Summit account was discretionary, Volkov or Voloshin, or both, generally, if not always, were consulted prior to trading and made numerous unsolicited trades. Prudential contended that, notwithstanding suffering significant losses, there was no record, nor any allegation of any complaint filed by Summit, Volkov or Voloshin. Prudential further contended that Doria also introduced Volkov and Voloshin to business ventures outside of the securities markets in the United States and abroad, and that Doria allegedly received actual and promised compensation for his efforts. Prudential maintained that it was not aware, nor could it reasonably have been expected to be aware, of such activities by Doria, which were outside his employment scope and not authorized by it. Prudential further maintained that both Volkov and Voloshin promised their clients unreasonably high rates of return and, therefore, engaged in speculative trading strategies in order to fulfill these promises.

In its Cross-Claim, Prudential maintained that it is entitled to indemnification and contribution from Doria in the event it is found liable to Claimant.

Doria maintained that Volkov and Voloshin are both sophisticated Russian investors. Doria contended that they opened a Summit account in July of 1993 and, for the next two years, Volkov and Voloshin devoted themselves full-time to stock speculating and trading. Doria further maintained he was informed by Volkov and Voloshin that they were acting on behalf of Russian investors, although he was unaware that these "investors" were members of Russian organized crime and emigres who were promised returns of more than 50% on their principal.

Doria further maintained that he did not engage in improper or fraudulent activities and the trading in Summit's account was authorized at the instruction of its principals. Doria alleged that Summit invested heavily in Diversified Investors Corporation ("Diversified") despite his warning regarding the speculative nature of the stock. Doria maintained that he had no hidden interests in investments and securities purchased by Summit, and that he never received stock promotion returns, undisclosed commissions or "kickbacks" as a result of trading for Summit. Doria contended that he made no misrepresentations concerning Summit's securities or the account's performance, and he did not breach any fiduciary duty to Summit.

In his Reply to Prudential's Cross-Claim, Doria maintained that Prudential's Cross-Claim should be denied since Prudential's own deficient internal operating procedures led to the alleged damages to Claimant.

In his Cross-Claim against Prudential, Doria maintained that, if he is found liable to Claimant, he is entitled to indemnification and/or contribution from Prudential.

In its Reply to Doria's Cross-Claim, Prudential maintained that Doria's Cross-Claim should be denied since the alleged activities complained of were outside the scope of Doria's employment and were engaged in without its knowledge or consent.

RELIEF REQUESTED

Claimant requested that the Panel render an award, jointly and severally against the Respondents, consisting of:

1. Compensatory damages in an amount not yet determined, but in no event less than \$3,000,000.00, to be trebled;
2. Punitive damages in the amount of \$3,000,000.00;
3. Costs, disbursements, and attorneys' fees; and
4. Such other and further relief as the Panel deems just and proper in light of all the circumstances in this action.

Prudential requested that the Panel dismiss Summit's claims in their entirety and grant it such other and further relief as the Panel deems just and proper.

Doria requested that the arbitrators determine that he is not liable to Summit for any of the claims in this case and, in the event that damages are awarded against him, he should be awarded recovery of those damages against Prudential.

OTHER ISSUES CONSIDERED & DECIDED

The Panel made the following determinations concerning Doria who did not appear at the hearing in this matter:

1. Pursuant to Rule 10101 of the NASD Code of Arbitration Procedure (the "Code"), the arbitrators found subject matter jurisdiction over this entire controversy.
2. The Panel found that Doria was a person associated with a member of the NASD at the time this controversy arose. Accordingly, the Panel found personal jurisdiction over Doria pursuant to Rule 10301 of the Code.
3. In addition, in accordance with Rules 10310, 10315 and 10318 of the Code, the Panel found that NASD Regulation provided Doria with "due notice" of the hearings conducted in this matter by regular and certified mail. The Panel further determined to proceed with the hearing without Doria whose absence was unexcused.

Doria stated during the first pre-hearing conference that he was invoking his 5th Amendment Right.

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 NASD Regulation, Inc.

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. Respondents Prudential and Doria are hereby jointly and severally liable and shall pay Claimant \$512,000.00 for attorneys' fees. The Panel's decision is supported by the Statement of Claim and Submission Agreement.
2. Respondents Prudential and Doria are hereby jointly and severally liable and shall pay Claimant \$60,512.63 for costs and fees.
3. All other claims and Cross-Claims are hereby denied.

OTHER COSTS

Pursuant to Rule 10333 of the *NASD Code of Arbitration Procedure* ("*Code*"), Prudential Securities, Inc. has paid NASD Regulation, Inc. the \$500.00 surcharge previously invoiced.

FORUM FEES

Pursuant to Rule 10332(c) of the *Code*, the arbitrators have determined that NASD Regulation, Inc. will retain the \$300.00 non-refundable filing fee paid by Claimant and have assessed the following Forum Fees:

3 Pre-Hearing Sessions (Chairperson) x \$300.00	=	\$ 900.00
51 Hearing Sessions x \$1,500.00	=	<u>\$76,500.00</u>
Total	=	\$77,400.00

1. Prudential and Doria are jointly and severally liable and shall pay NASD Regulation, Inc. the sum of \$77,400.00, representing the total forum fees assessed.
2. NASD Regulation, Inc. shall refund the Claimant the sum of \$1,500.00 for the hearing session fee it previously deposited.

ARBITRATION PANEL

CONCURRING ARBITRATOR'S SIGNATURE

/s/ _____
Public Arbitrator

Date of decision: September 24, 1999

I, the undersigned arbitrator, 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.

/s/ _____
Public Arbitrator

ARBITRATION PANEL

CONCURRING ARBITRATOR'S SIGNATURE

/s/ _____
Public Arbitrator

Date of decision: September 24, 1999

I, the undersigned arbitrator, 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.

/s/ _____
Public Arbitrator

ARBITRATION PANEL

CONCURRING ARBITRATOR'S SIGNATURE

/s/ _____
Industry Arbitrator

Date of decision: September 24, 1999

I, the undersigned arbitrator, 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.

/s/ _____
Industry Arbitrator