

NASD REGULATION AWARD

In the Matter of the Arbitration Between

Name of Claimant

Fred J. Leunis

96-00571

Name of Respondents

Equities Trading Corp.
Kathleen Cuomo
Janice Chan

REPRESENTATION

For claimant Fred J. Leunis ("claimant") appeared, Barry J. Byrnes, Esq. with law offices in Long Island City, New York.

For respondent Equities Trading Corp. ("Equities Trading"), Kathleen Cuomo ("Cuomo") and Janice Chan ("Chan") (collectively referred to as "respondents") appeared Magnus G. Thorstenn, Esq., of the law firm Thorstenn & Thorstenn located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on February 7, 1996. Claimant's Submission Agreement was signed on February 23, 1996.

Joint Statement of Answer was filed by respondents on April 11, 1996. Equities Trading's Submission Agreement was signed on April 11, 1996. Cuomo's Submission Agreement was signed on April 11, 1996. Chan's Submission Agreement was signed on April 11, 1996.

HEARING INFORMATION

Hearing Dates/Sessions:	March 13, 1997	-	Two Sessions
	March 14, 1997	-	Two Sessions
	April 12, 1997	-	Two Sessions
	April 16, 1997	-	One Session

The hearings were conducted at the offices of NASD Regulation, Inc., located in New York, New York.

CASE SUMMARY

Claimant alleged that both he and Cuomo were licensed security brokers and they each owned 44% of the common stock of Equities Trading, a discount brokerage house. Claimant further alleged that Cuomo was the incorporator and president of Equities Trading and was responsible for the financial management and regulatory compliance of the firm, that he primarily dealt with the public and executed trades, and that both he and Cuomo supervised the employees of the firm. Claimant contended that he and Cuomo were joint and equal owners of Equities Trading, that they had equal rates of compensation and equal access to keys, company records and corporate credit cards.

Claimant asserted that, in return for raising approximately \$80,000.00 in operating capital for Equities Trading, Cuomo promised that he would be named co-director upon obtaining his principal's license. Claimant further asserted that, although he obtained his principal's license in 1990, he was never named as a co-director. Claimant alleged that, in 1990 and 1991, in order to overcome cash flow problems and allow the firm to maintain its \$50,000.00 minimum net capital requirement, he reduced his compensation by \$46,250.00, based upon Cuomo's representation that he would be continuously employed by the firm. Claimant contended that Cuomo and Chan, an employee of Equities Trading, conspired to oust him from Equities Trading to avoid naming him a co-director and paying him a salary from commissions paid to Equities Trading and to retain the benefits of his financial contributions to the company. Claimant further contended that this prevented his continued employment and interfered with his business relationships.

Claimant alleged that Cuomo and Chan tried to surreptitiously acquire his common stock for less than adequate consideration. Claimant also alleged that Cuomo changed the locks to the office, had him fired, and filed a Form U-5 which gave false and fraudulent reasons for his termination. Claimant maintained that he suffered economic losses, humiliation and embarrassment, loss of employment earnings. Claimant further maintained that respondents were unjustly enriched because they retained the financial benefits that flowed from his salary reduction and the good will that he developed with the Chinese community.

Respondents maintained that both Cuomo and claimant were employees of Equities Trading at different levels of compensation and, that, during 1990 and 1991, both Cuomo and claimant reduced their rate of compensation to alleviate a cash flow problem at the firm. Respondents further maintained that Cuomo did not represent to the claimant that he would be named a co-director of Equities Trading. Respondents asserted that, since May, 1994, claimant has been employed by another firm and he has persuaded a substantial number of Equities Trading customers to transfer their business.

Respondents contended that claimant was in possession of certain corporate records of Equities Trading which he refused to surrender. As affirmative defenses, respondents maintained the Statement of Claim failed to state a cause of action, that the relief requested was barred by the Statute of Limitations and by the doctrine of "unclean hands", and that the relief requested was outside the scope of the Arbitration Panel and was more appropriately dealt with under the New York Business Corporation Law.

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RELIEF REQUESTED

Claimant requested an award directing repayment of the \$46,250.00 invested in Equities Trading with interest, attorneys fees and costs. Claimant further requested an award compensating him for his period of unemployment with interest, attorneys fees and costs of this proceeding, directing respondents to purchase his shares of Equities Trading stock for a fair and reasonable price, and compensating him for diminution in his salary. Claimant also requested an award of punitive damages and such other and further relief as may be just and proper.

Respondent requested that the Statement of Claim be dismissed and that they be granted an award ordering the return of Equities Trading's corporate records in claimant's possession and for costs and disbursement including reasonable attorneys fees and for such other and further relief as is just and proper.

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. Respondent Equities Trading be and hereby is liable and shall pay claimant the sum of \$42,750.00 with interest at the rate of 6% per annum from January 1, 1992 to the date of the award.
2. Except as stated in paragraph 1, all other claims against respondents are denied, including claimant's request that respondents be ordered to purchase his Equities Trading Corp. stock.
3. All claims against Cuomo and Chan are dismissed in their entirety.
4. Claimant's request for punitive damages is hereby denied.
5. Respondent's requests for relief are hereby denied.
6. Each party shall bear their respective costs, including attorneys' fees.

FORUM FEES

Pursuant to Rule 10205(c) of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. shall retain the \$500.00 non-refundable filing fee previously

deposited by claimant and have assessed the following forum fees:

7 hearing sessions x \$600.00 = \$4,200.00

1. Claimant be and hereby is liable for the sum of \$2,100.00, representing one-half of the total amount of forum fees assessed. Claimant previously deposited \$600.00 with NASD Regulation and, therefore, claimant shall pay the sum of \$1,500.00.
2. Equities Trading be and hereby is liable for and shall pay the sum of \$2,100.00, representing one-half of the total amount of forum fees assessed.

Fees are payable to NASD Regulation, Inc.

611/1/97

Arbitrators' Signatures



Robert Pincus, Esq.
Chairperson-Public Arbitrator

Marilyn Y. Brown
Public Arbitrator

Edwin B. Peterson
Industry Arbitrator

Date of Decision: June 26, 1997

I, Robert Pincus, Esq., 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.

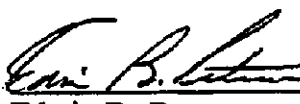


Robert Pincus, Esq.

Arbitrators' Signatures

Robert Pincus, Esq.
Chairperson-Public Arbitrator

Marilyn Y. Brown
Public Arbitrator



Edwin B. Peterson
Industry Arbitrator

Date of Decision: June 26, 1997

I, Edwin B. Peterson, 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.



Edwin B. Peterson

Arbitrators' Signatures

Robert Pincus, Esq.
Chairperson-Public Arbitrator




Marilyn Y. Brown
Public Arbitrator

Edwin B. Peterson
Industry Arbitrator

Date of Decision: June 26, 1997

I, Marilyn Y. Brown, 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.



Marilyn Y. Brown