

NASD REGULATION, INC. AWARD

In the Matter of the Arbitration Between

Names of Claimants

Joseph J. and Susan K. Korff

96-00720

Names of Respondents

Olde Discount Corporation
Mark Morrow

REPRESENTATION

For Claimants Joseph J. Korff ("Joseph Korff") and Susan K. Korff ("Susan Korff") (collectively referred to as "Claimants") appeared Roger W. Van Deusen, Esq., of the law firm Chattman, Gaines & Stern, located in Cleveland, Ohio.

For Respondents Olde Discount Corporation ("Olde") and Mark Morrow ("Morrow") (collectively referred to as "Respondents") appeared Robert N. Rapp, Esq., of the law firm Calfee, Halter & Griswold LLP, located in Cleveland, Ohio.

CASE INFORMATION

Claimants' Statement of Claim was filed on February 14, 1996. Claimants filed an Amended Statement of Claim on December 23, 1996. Joseph Korff's Submission Agreement was signed on February 13, 1996. Susan Korff's Submission Agreement was signed on February 13, 1996.

A Joint Statement of Answer was filed by Respondents on April 29, 1996. Respondents filed an Amended Statement of Answer on November 11, 1997. Olde did not file a Submission Agreement in this matter. Morrow's Submission Agreement was signed on November 12, 1997.

HEARING INFORMATION

Hearing Dates/Sessions:	December 8, 1997	-	Two Sessions
	December 9, 1997	-	Two Sessions
	December 10, 1997	-	Two Sessions

The hearing was conducted at the offices of NASD Regulation, Inc., located in Cleveland, Ohio.

CASE SUMMARY

Claimants alleged that they maintained an investment account with Olde at its Cincinnati branch

office and that Respondent Morrow was their account executive. Claimants also alleged that Respondent Morrow intentionally, recklessly, and in disregard of their needs and objectives, induced them, by intentional and reckless misrepresentations and omissions of material fact, to enter into unsuitable and excessive securities trading, to leverage their investments by use of a margin account, and to effect unauthorized securities transactions. Claimants further alleged that Morrow's actions constituted a violation of Section 10(b) of the Securities Exchange Act of 1934 and Rule 10b-5 of the Securities and Exchange Commission promulgated thereunder.

Claimants asserted that Morrow churned and excessively traded their account for the purpose of generating commissions and profits for Respondents in total and complete disregard for the their financial and investment needs. Claimants also asserted that Respondents breached their fiduciary obligations to them by churning their funds and by conducting an unauthorized and unsuitable course of trading. Claimants further alleged that Morrow made material representations to them which were false and misleading and omitted to state material facts and that the acts and statements of Morrow constituted a course of business which operated a fraud and deceit upon the Claimants. Claimants contended that Respondents were reckless and grossly negligent by failing to exercise due care or to act in a prudent or reasonable manner in managing their investment account. Claimants also asserted that Olde failed to maintain and enforce a proper system of internal supervision over Morrow.

Respondents denied all of Claimants' allegations and maintained that any profits, or losses, incurred by the Claimants in their account resulted solely from Joseph Korff's informed investment decisions and operative market forces. Respondents maintained that they handled Claimants' account in a diligent and responsible manner. Respondents also maintained that Claimants' account was not discretionary, and, therefore, only the Claimants could make decisions to buy, sell or hold their securities. Respondents further maintained that the quantity and nature of the recommendations made by Morrow were consistent with Claimants' investment objectives and abilities. Morrow denied Claimants' claim of unauthorized trading and maintained that he did not enter an order to buy or sell stock unless and until it was expressly authorized by Claimants. Respondents asserted that by not responding within ten days of the alleged unauthorized trades, Claimants ratified all trades.

RELIEF REQUESTED

Claimants requested:

1. Damages in a precise amount to be determined at the hearing, but in excess of \$500,000.00, for losses to their investment account, for lost income and capital appreciation to said account, for excessive commission charges to their account, and for margin interest charges;
2. Exemplary and/or punitive damages in the sum of \$1,000,000.00 for the charges of fraud and gross negligence;
3. Reasonable attorneys fees; and
4. Arbitration costs.

Respondents requested that the Statement of Claim be dismissed in its entirety, that they be reimbursed for costs and attorneys' fees, that this action be expunged from Respondent Morrow's Form U-4, and any other remedy the panel finds proper.

OTHER ISSUES CONSIDERED & 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 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 Olde is hereby liable for and shall pay to Claimants the sum of \$10,000.00 in compensatory damages. This award is assessed against Respondent Olde only for failure to supervise. The panel finds that Respondent Olde should have taken additional steps to contact its client regarding the type, nature, and amount of trading activity in the client account.
2. All claims against Respondent Marrow are dismissed in their entirety.
3. Claimants' request for punitive damages is denied.
4. Each party shall bear its respective costs, including attorneys' fees.
5. All other requests for relief are hereby denied.

FORUM FEES

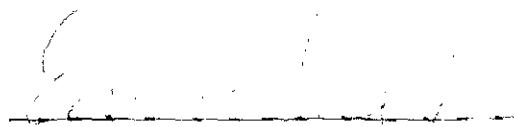
Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the arbitrators have determined that NASD Regulation, Inc. will retain the \$250.00 non-refundable filing fee previously paid by Claimants and have assessed the following forum fees:

6 hearing sessions x \$1,000.00 = \$6,000.00

1. Claimants are hereby jointly and severally liable for the sum of \$3,000.00, representing one-half of the total forum fees assessed. Claimants previously deposited \$1,000.00 with NASD Regulation, Inc., and, therefore, Claimants shall pay the balance of \$2,000.00.
2. Respondents are hereby jointly and severally liable and shall pay the sum of \$3,000.00, representing one-half of the total forum fees assessed.
3. Respondent Olde is hereby liable and shall pay the sum of \$500.00, representing the member surcharge.

Fees are payable to NASD Regulation, Inc.

Arbitrators' Signatures



Earle R. Frost, Jr., Esq.
Public Arbitrator - Chairperson

Edward F. Siegel, Esq.
Public Arbitrator

Leslie J. Filson
Industry Arbitrator

Date of Decision: February 19, 1998

Arbitrators' Signatures

Earle R. Frost, Jr., Esq.
Public Arbitrator - Chairperson

Edward F. Siegel, Esq.
Public Arbitrator


Leslie J. Filson
Industry Arbitrator

Date of Decision: February 19, 1998

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