

NASD Regulation, Inc. AWARD

NASD Regulation, Inc.

In the Matter of the Arbitration Between

Name of Claimants

Barry and Dodie Dorf

96-02733

Name of Respondents

Sovereign Equity Management Corp.
Albert A. Matani, Jr.

REPRESENTATION

Claimants Barry and Dodie Dorf ("Claimants") appeared pro se.

For Respondent Sovereign Equity Management Corp. ("Sovereign"): Thomas W. Hands,
Director of Compliance at Sovereign, Boca Raton, Florida.

Respondent Albert A. Matani, Jr. ("Matani") appeared pro se.

CASE INFORMATION

Statement of Claim filed: June 26, 1996. Claimants' Submission Agreement signed on: June 22, 1996.

Statement of Answer filed by Respondent Sovereign on: August 26, 1996. Respondent Sovereign's Submission Agreement signed on: August 21, 1996 by Thomas W. Hands on behalf of Sovereign.

Respondent Matani failed to file a Statement of Answer or sign a Submission Agreement as required by Rules 10301 and 10314 of the NASD Code of Arbitration Procedure ("the Code") (see "Other Issues").

HEARING INFORMATION

On November 14, 1996 a telephonic pre-hearing conference was conducted with the full panel.

On March 26, 1997 in Ft. Lauderdale, Florida, a hearing lasting three sessions was conducted.

CASE SUMMARY

Claimants alleged that Respondents were liable for misrepresentation, fraud and deceit in connection with their purchase of Cellstar Corp. stock. Claimants alleged that when they advised Matani that they wanted to sell their stock, Matani discouraged the sale and advised Claimants to purchase additional Cellstar stock on margin. Claimants maintained that Sovereign was engaged in a "Ponzi" scheme in connection with Cellstar stock and would not allow their clients to sell said stock. Claimants next maintained that Matani was subsequently fired from Sovereign and is currently under investigation by the FBI. Claimants further alleged that the FBI has an arrest warrant outstanding for Matani.

Respondent Sovereign denied all allegations of wrongdoing and alleged that Claimants' investment objective as stated on the new account form was speculation and that Matani suggested that Claimants utilize margin leverage in order for them to average down their cost. Respondent Sovereign maintained that Claimants did not timely complain about the transactions and that Sovereign did allow its customers to sell Cellstar stock. Sovereign denied involvement in any "Ponzi" scheme and asserted that the recommendations to buy Cellstar stock were based on information that was publicly available at the time. Sovereign alleged that they complied with all applicable rules and regulations and that the decline in Cellstar's value was due to the concealment of information by Cellstar Corporation.

RELIEF REQUESTED

Claimants requested damages in the amount of \$15,000.00.

Respondent Sovereign requested dismissal of the claim.

OTHER ISSUES CONSIDERED & DECIDED

Pursuant to Rule 10101 of the Code the arbitration panel found subject matter jurisdiction over this controversy. The arbitration panel further found that Respondent Matani was a person

associated with a member of the NASD at the time the controversy arose. Consequently, the arbitration panel found personal jurisdiction over the Respondent pursuant to Rule 10301 of the Code.

In view of the above, the arbitration panel found that Respondent Matani was required to file with the NASD a Statement of Answer and a properly executed Submission Agreement pursuant to Rule 10314(b) of the Code. In this regard the arbitration panel found that the Statement of Claim was properly served upon Respondent Matani pursuant to Rule 10314(a) of the Code.

In addition, in accordance with Rules 10310, 10315 and 10318 of the Code, the arbitration panel found that the NASD provided Respondent Matani with "due notice" of the hearing conducted in this matter as evidenced in the record of proceedings. The arbitration panel, therefore, determined to proceed with the hearing without Respondent Matani, whose absence was unexcused.

Those parties that were present at the hearing 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(s) remain on file with the NASD.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions (if any), the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

Respondents Sovereign and Matani are found not liable and, therefore, all claims against them are hereby dismissed.

FORUM FEES

Pursuant to Rule 10332(c) of the Code of Arbitration Procedure, the panel has assessed forum fees in the amount of \$1,600.00 (1 pre-hearing conference with the full panel x \$400.00 plus 3 sessions x \$400.00 per session).

1. Claimants are hereby assessed \$800.00 for which NASD Regulation, Inc. shall retain the \$300.00 previously deposited by Claimants in partial satisfaction thereof, leaving a balance due to NASD Regulation, Inc. in the amount of \$500.00.

2. Respondent Sovereign is hereby assessed \$800.00 for which NASD Regulation, Inc. shall retain the \$100.00 previously deposited by Sovereign in partial satisfaction thereof, leaving a balance due to NASD Regulation, Inc. in the amount of \$700.00.
3. NASD Regulation, Inc. shall retain the \$100.00 claim filing fee previously paid by Claimants.
4. NASD Regulation, Inc. shall retain the \$200.00 member surcharge previously paid by Respondent Sovereign.

Fees are payable to NASD Regulation, Inc.

Concurring Arbitrators' Signatures

/s/
Leo H. Kerns, Esq.

Public/Chairman

/s/
Bruce Sankin

Industry

/s/
Kalman Lester

Public

Date of Decision: May 8, 1997