

AWARD

NASD Regulation, Inc. Office of Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimant

Maynard Zinn

and

96-03269

Name of Respondent

Sovereign Equity Management Corp.,

Mark Trykowski, and

Alex Rivera

REPRESENTATION OF PARTIES

Maynard Zinn ("Claimant") was represented by Edward Russey III, Esq., Irvine, California.

Sovereign Equity Management Corp. ("SEM"), Mark Trykowski ("Trykowski"), and Alex Rivera ("Rivera") were represented in the pleadings by Robert K. Savage, Esq., of Sovereign Equity Management Corp., Florida. SEM was later represented by Thomas W. Hands, of SEM's Compliance Department for the July 30, and 31, 1997 and August 1, 1997 hearing dates. SEM was not represented, and did not appear during the November 19, 1997 hearing date. Rivera and Trykowski did not participate in the hearing due to settlements with the Claimant.

CASE INFORMATION

Claimant filed the Statement of Claim on or about July 29, 1996, and signed the Submission Agreement of Claimant on July 15, 1996. Claimant filed an Amended Statement of Claim on or about October 16, 1996.

Respondents SEM, Trykowski, and Rivera filed the Statement of Answer on or about September 24, 1996. SEM signed its Submission Agreement of Respondent on September 24, 1996. Trykowski signed his Submission Agreement on September 24, 1996. Rivera signed his Submission Agreement on September 24, 1996.

HEARING INFORMATION

The Arbitration Panel held a hearing on July 30 and 31, 1997 for two (2) sessions each day, August 1, 1997 for two (2) sessions, and November 19, 1997 for one session in Kansas City, Missouri for a total of seven (7) sessions.

CASE SUMMARY

Claimant alleged that Respondents: made unsuitable recommendations and executed unsuitable transactions in his account; breached their fiduciary duty to the claimant; made negligent misrepresentations to Claimant; churned Claimant's account; and violated Section 10(B) of the Exchange Act and Rule 10b-5 promulgated thereunder. Claimant also alleged that SEM and Trykowski were liable for recommending speculative securities to the Claimant.

Unless otherwise admitted in their Answer, Respondents denied the allegations set forth in the Statement of Claim. Respondents also asserted the following affirmative defenses: Claimant was, and is a sophisticated investor who directed and approved all activity in his own account, and all transactions in claimant's account were expressly at Claimant's direction; any damages allegedly suffered by claimant were caused or contributed to by persons, conditions, or events beyond Respondents' control; SEM implemented and maintained satisfactory supervisory procedures acknowledged by and agreed to by Trykowski and Rivera, and any deviation from these procedures was beyond the scope of their employment with SEM; Claimant assumed the risk of his investments; and Claimant failed to mitigate his damages.

RELIEF REQUESTED

Claimant requested an award in the amount of the following: At least \$32,738.00 for losses; prejudgment and postjudgment interest at the highest legal rate; punitive damages in the amount of at least \$30,000; costs of suit; and other and further relief the arbitration panel deemed just and proper.

Respondents denied the claims asserted against them.

OTHER ISSUES CONSIDERED & DECIDED

On November 19, 1997, SEM failed to appear for the hearing that had been previously scheduled by the arbitrators. Prior to the commencement of the final session of hearing, upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators have determined that SEM had received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed pursuant to Rule 10318 of the Code.

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(s) remain on file with NASD Regulation, Inc. Office of Dispute Resolution. The matter was closed on January 5, 1998.

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:

The claims against the two individual Respondents are moot, having been voluntarily settled prior to the commencement of the hearing. The hearing was limited to claims against Respondent Sovereign Equities Management, Inc. After hearing testimony of the parties and witnesses and receiving documentary evidence, the claims are determined in favor of Respondent Sovereign Equities Management, Inc. It is also found that Respondent Sovereign Equities Management, Inc. failed to comply with discovery orders of the panel. All fees and deposits already paid by any party, including Claimant, shall be retained by NASD Regulation, Inc. Office of Dispute Resolution and applied to forum fees. All remaining balances of forum fees and any other fees, costs, or expenses shall be paid by Respondent Sovereign Equities Management, Inc.

FORUM FEES

Forum fees are calculated at the rate of \$500 per hearing session and \$300 for each prehearing conference, if any. There were seven (7) sessions x \$500 = \$3,500 in forum fees. Pursuant to Rule 10332(b) of the Code of Arbitration Procedure (the "Code"), a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to Rule 10332(c) of the Code, NASD Regulation, Inc. Office of Dispute Resolution shall retain the non-refundable filing fee in the amount of \$150 and shall retain as forum fees the hearing session deposit in the amount of \$500 previously deposited with NASD Regulation, Inc. Office of Dispute Resolution by the Claimant.

Pursuant to Rule 10333 of the Code, Respondent Sovereign Equity Management Corp. is liable for, and shall pay to NASD Regulation, Inc. Office of Dispute Resolution the member surcharge in the amount of \$300.

Additional forum fees in the amount of \$3,000 are assessed by the arbitrators against Respondent Sovereign Equities Management Corp.

Fees are payable to NASD Regulation, Inc. Office of Dispute Resolution.

Dated:

Mark D. Wasserstrom
Mark D. Wasserstrom
Public Arbitrator, Presiding Chair

/s/

January 28, 1998

Richard E. McEachen
Richard E. McEachen
Public Arbitrator

/s/

January 28, 1998

Elrod P. Wilson
Elrod P. Wilson
Industry Arbitrator

/s/

February 9, 1998