

NASD REGULATION, INC.
AWARD

In the Matter of the Arbitration Between

Name of Claimants

Voula and Constantine Salonitis

vs.

Case No.
96-05292

Name of Respondents

State Street Capital Markets, Inc.
George Christodoulou

REPRESENTATION

For Claimants Voula and Constantine Salonitis ("Claimants") appeared Raymond A. Connell, Esq., of the law offices of McMahon & Connell, PC, located in New York, New York.

For Respondent State Street Capital Markets, Inc. ("State Street") appeared John Doukas, of State Street Capital Markets, Inc. located in New York, New York.

For Respondent George Christodoulou ("Christodoulou") appeared Brian H. Reis, Esq., of the law offices of Goldstein, Goldstein & Reis, LLP, located in New York, New York.

CASE INFORMATION

Statement of Claim was filed on November 27, 1996.

Amended Statement of Claim was filed on July 1, 1997.

Claimants' Submission Agreement was signed on November 14, 1996.

Joint Statement of Answer was filed by Respondents State Street ("State Street") and Christodoulou ("Christodoulou")(collectively referred to as "Respondents") on January 30, 1997. Answer to the Amended Statement of Claim was filed by Respondent Christodoulou on December 1, 1997.

Respondent State Street did not execute a Submission Agreement.

Respondent Christodoulou's Submission Agreement was signed on January 28, 1997.

HEARING INFORMATION

Hearing Dates/Sessions:

March 16, 1998

Two Sessions

March 17, 1998

Two Sessions

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

CASE SUMMARY

Claimants stated that, on December 26, 1995, Voula Salonitis opened an account with State Street at the behest of Christodoulou and later appointed her husband, Constantine, agent and attorney-in-fact with authority to sell and trade stocks in the account. Claimants alleged that, in early 1996, Christodoulou purchased shares in Holly Products and U.S. Bridge, for which State Street was a market maker, without their authorization. Claimants asserted that they cautioned Christodoulou not to buy or sell securities for their account without authorization.

Claimants stated that, on April 30, 1996, at the behest of Christodoulou, Voula Salonitis transferred her account from Prudential Securities, Inc. to State Street. Claimants alleged that without authorization Christodoulou liquidated the portfolio at a loss, and used the proceeds to purchase low quality, unstable securities. Claimants asserted that they protested the unauthorized purchases, and Christodoulou assured them that no further unauthorized purchases would be made and the positions would be liquidated in forty-five days at a profit. Claimants further asserted that, on July 27, 1996, they instructed Christodoulou to sell all shares and he refused stating that the price would rise. Claimants also asserted that, on August 1, 1996, they demanded Christodoulou to sell all shares, hold the proceeds of the sale in the account, and send them a *statement of account and purchase confirmations*.

Claimants asserted that, on August 5, 1996, Christodoulou advised them that he had not sold the shares as instructed but had purchased, without authorization, shares in Fun Tyme, in which State Street was a market maker. Claimants further asserted that they instructed Christodoulou to liquidate all stocks in the account immediately. Claimants further asserted that they reiterated their instructions when Christodoulou informed them that he did not sell the shares. Claimants stated that the shares remained unsold, and, on September 12, 1996, Voula through Prudential Securities ordered State Street to return the account to Prudential Securities.

Claimants alleged that State Street and Christodoulou liquidated the account in order to purchase securities in which they were a market maker. Claimants further alleged that the actions of State Street and Christodoulou violated NASD rules and regulations. Claimants asserted that the unauthorized purchases and refusal to execute sell orders by State Street and Christodoulou are also violations of NASD rules and regulations, as well as, a breach of contract and breach of fiduciary duty.

State Street and Christodoulou denied all allegations of wrongdoing contained in the Statement of Claim and asserted nine affirmative defenses. Respondents maintained that Claimants authorized all transactions, received confirmations, and never complained in writing about the transactions in their account. Respondents asserted that any losses Claimants sustained were the result of market forces and not the actions of Respondents. Respondents stated that State Street

targeted customers whose investing history and net worth indicated a strong interest in capital appreciation and that its personnel discussed each investment at length with the customers before making a recommendation.

Christodoulou incorporated the joint statement of answer in his amended answer, and denied all allegations of wrongdoing. Christodoulou maintained that the investments purchased matched Claimants' investment goals, and that Claimants authorized and directed each of these transactions consistent with their true investment strategies.

RELIEF REQUESTED

Claimants requested an award against Respondents, jointly and severally, in an amount of no less than \$350,000.00 (Claim I), or alternatively, of no less than \$200,000.00 (Claim II), together with interest, costs, and attorneys' fees, and punitive damages of \$500,000.00 (Claim III), or in such other amount as the arbitrators may deem just and proper.

State Street and Christodoulou requested an award:

- (a) Denying all claims in the Statement of Claim;
- (b) Awarding the costs and attorneys' fees to the respondents; and
- (c) All such other and further relief as the arbitrators may deem just and necessary.

Christodoulou did not amend the damages requested.

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.

The panel made the following determination concerning State Street, who did not file a Submission Agreement:

1. Pursuant to Rule 10101 of the *Code of Arbitration Procedure* (the "*Code*"), the panel found subject matter jurisdiction over this entire controversy.
2. The panel found that State Street was a member of the NASD at the time this controversy arose. Accordingly, the panel found jurisdiction over State Street pursuant to Rules 10201 and 10301 of the *Code*.
3. The panel found that State Street was required to file a Submission Agreement with NASD Regulation pursuant to Rule 10314(b) of the *Code*.

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. State Street and Christodoulou are jointly and severally liable and shall pay to Claimants the sum of \$294,000.00, inclusive of interest.
2. Each party shall pay their own attorney's fees.
3. Claimants shall return to State Street the CCW and Fun Tyme stocks.
4. Claimants and Respondents shall arrange a simultaneous exchange of the amount awarded in Item 1 above and the stocks in Item 3, within thirty days of this decision.

FORUM FEES

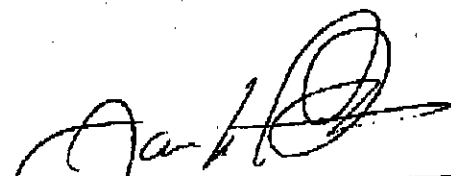
Pursuant to Rule 10332(c) of the *Code*, the arbitrators have assessed the following Forum Fees:

Non-refundable filing fee	=	\$ 250.00
4 Hearing sessions x \$1,000.00	=	\$4,000.00
Total Forum Fees	=	\$4,250.00

1. State Street and Christodoulou are jointly and severally assessed \$250.00 for the non-refundable filing fee and \$4,000.00 representing the total amount of forum fees. State Street and Christodoulou shall satisfy the fees assessed by reimbursing Claimant \$1,250.00, which Claimant previously paid, and by remitting the balance of \$3,000.00 to NASD Regulation, Inc.
2. State Street be and hereby is liable and shall pay to NASD Regulation, Inc. the sum of \$500.00, representing the member surcharge assessed.
3. Christodoulou is assessed a \$1,000.00 fee for the postponement of the June 16 and 17, 1997 hearings. This amount has not been paid.

Fees are payable to NASD Regulation, Inc.

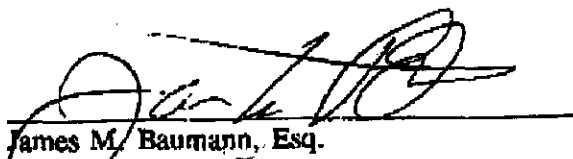
ARBITRATORS' SIGNATURES



James M. Baumann, Esq.
Chairperson - Public Arbitrator

Date of decision: April 29, 1998

I, James M. Baumann, 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.



James M. Baumann, Esq.

ARBITRATORS' SIGNATURES

Pamela H. Roderick

Pamela H. Roderick
Public Arbitrator

Date of decision: April 29, 1998

I, **Pamela H. Roderick**, 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.

Pamela H. Roderick

Pamela H. Roderick

ARBITRATORS' SIGNATURES

Marleen H. Levi
Marleen H. Levi
Industry Arbitrator

Date of decision: April 29, 1998

I, Marleen H. Levi, 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.

Marleen H. Levi
Marleen H. Levi