

AWARD
NASD Regulation, Inc.

In the Matter of the Arbitration Between

Name of Claimants

Morris E. and Sharon K. Cordes
Morris E. Cordes
Sharon K. Cordes
Morris & Sharon Cordes fbo Danielle Cordes
Morris & Sharon Cordes fbo Ryan Cordes

and

99-00087
Denver, Colorado

Name of Respondents

Adams Davis Co.
Sean Mueller

REPRESENTATION OF PARTIES

Morris E. and Sharon K. Cordes Morris E. Cordes, Sharon K. Cordes, Morris & Sharon Cordes fbo Danielle Cordes, Morris & Sharon Cordes fbo Ryan Cordes ("**Claimants**") were represented by William S. Shepard, Esq., Houston, Texas.

Adams Davis Co. ("**Respondent**") was represented by David A. Zisser, Esq., Berliner Zisser Walter & Gallegos, P.C., Denver, Colorado.

Sean Mueller ("**Respondent**") appeared *pro se*.

CASE INFORMATION

The Statement of Claim was filed on or about February 16, 1999. Submission Agreement of Claimant Morris E. Cordes, individually was signed on January 12, 1999. Submission Agreement of Claimant Sharon K. Cordes, individually was signed on January 12, 1999. Submission Agreements of Morris & Sharon Cordes fbo Danielle Cordes and Morris & Sharon Cordes fbo Ryan Cordes were signed on January 27, 1999.

Statement of Answer was filed by Respondent Adams Davis Co. on or about April 6, 1999. Submission Agreement of Respondent Adams Davis Co. was signed on March 3, 1999 by Yaacov Ariel.

Respondent Sean Mueller did not file responsive pleadings in this matter.

CASE SUMMARY

Claimants alleged that they were a conservative couple who, although educated, had limited investment experience before meeting Mr. Mueller in 1996. It was alleged that Mueller succeeded in gaining their trust and persuaded them to let him manage their accounts. Claimants also alleged that after only a few months, Mr. Mueller began completely ignoring their stated investment objectives and began to leverage their accounts using unsuitable high risk investments on margin and churn the account.

Respondent Adams Davis denied the allegations set forth in the Statement of Claim. Respondent Adams Davis stated that Sean Mueller explained a trading strategy in which investments would be made in quality technology stocks which were trading below historical levels due to negative developments as to which the market for securities overreacted. It was stated that Mr. Mueller suggested that such investments could be suitable for a small portion of Claimants' investment portfolio. Respondent Adams Davis also stated that Claimants agreed to this strategy. It was further stated that Mr. Mueller reasonably believed, based upon the Claimants' education and investment background, that the Claimants understood the risks relating to the strategy that was explained to them, and that the strategy was suitable in light of their age, income, and financial circumstances. Respondent Adams Davis also stated that Claimants were always consulted prior to the execution of any transaction, the Claimants instructions were always followed, and trading proceeded in the manner that had been initially explained to them in which they indicated understanding and a willingness to pursue.

RELIEF REQUESTED

Claimants seek the entry of an award ordering Respondent to pay an amount between \$50,000 and \$100,000, including all direct and/or consequential damages and statutory and/or punitive damages, plus interest and costs, an amount which Claimants reserve the right to amend at any time, including during the hearing.

Respondent Adams Davis prays that the Statement of Claim be dismissed against it and that it be awarded its costs, including reasonable attorneys' fees, in defending against this matter.

OTHER ISSUES CONSIDERED & DECIDED

At the commencement of the hearing of this matter, Claimants stated their intention not to pursue their claims against Mr. Mueller.

Upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators could not determine that Respondent Sean Mueller has been properly served with the Statement of Claim pursuant to Rule 10302 and Rule 10314 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators could also not determine that Respondent Sean

Mueller had received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed against Respondent Adams Davis only 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 the NASD Regulation, Inc. Office of Dispute Resolution (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 Adams Davis Co. shall be and hereby is liable for and shall pay to the Claimants Morris E. and Sharon K. Cordes Morris E. Cordes, Sharon K. Cordes, Morris & Sharon Cordes fbo Danielle Cordes, Morris & Sharon Cordes fbo Ryan Cordes the sum of \$24,069.00 (Twenty Four Thousand Sixty Nine Dollars) as compensatory damages.
2. Interest at the rate of 8% per annum is awarded on the above stated sum only from and inclusive of June 6, 1997 to and inclusive of April 6, 2000.
3. Respondent Adams Davis Co. shall be and hereby is liable for and shall pay to the Claimants Morris E. and Sharon K. Cordes Morris E. Cordes, Sharon K. Cordes, Morris & Sharon Cordes fbo Danielle Cordes, Morris & Sharon Cordes fbo Ryan Cordes the sum of \$3,667.00 (Three Thousand Six Hundred Sixty Seven Dollars) as costs.
4. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
5. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Regulation, Inc. will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$150.00

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. In this matter, the member firm is Adams Davis Co.

Member surcharge = \$1,000.00
Pre-hearing process fee = \$ 600.00
Hearing process fee = \$1,500.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session(s) with Panel x \$500.00 = \$ 500.00
Pre-hearing conference(s): December 10, 1999 1 session

Six (6) Hearing sessions x \$500.00 = \$3,000.00

Hearing Date(s): April 4, 2000 2 sessions
April 5, 2000 2 sessions
April 6, 2000 2 sessions

Total Forum Fees = \$3,500.00

The Arbitration Panel has assessed \$3,500.00 of the forum fees to Adams Davis Co.

Fee Summary

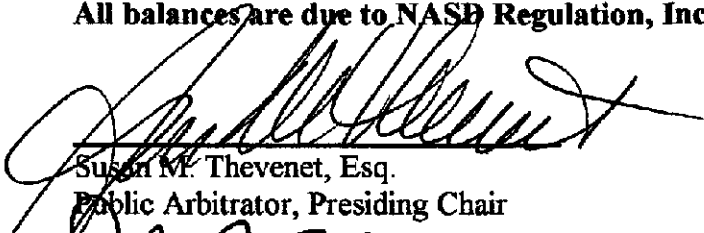
Claimants, Morris E. and Sharon K. Cordes, shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$ 150.00
<u>Forum Fees</u>	= \$ 0.00
Total Fees	= \$ 150.00
<u>Less payments</u>	= \$ 650.00
Balance refunded by NASD Regulation, Inc.	= \$ 500.00

Respondent, Adams Davis Co. shall be and hereby is liable for:

Member Fees	= \$3,100.00
<u>Forum Fees</u>	= <u>\$3,500.00</u>
Total Fees	= \$6,600.00
<u>Less payments</u>	= <u>\$1,000.00</u>
Balance Due NASD Regulation, Inc.	= \$5,600.00

All balances are due to NASD Regulation, Inc.


Susan M. Thevenet, Esq.
Public Arbitrator, Presiding Chair


John A. Eckstein, Esq.
Public Arbitrator


Joseph M. Costello
Industry Arbitrator

Dated:

4/6/00

4/6/00

4/6/00