

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Louis J. Smith; Louis J. Smith and Dorothy A. Smith; and Louis J. Smith MD Inc. Money Purchase Pension Plan and Trust, Claimants v. Long Securities Corporation II, Lawrence S. Jay, and Wedbush Morgan Securities, Inc., Respondents

Case Number: 99-04500

Hearing Site: Los Angeles, California

REPRESENTATION OF PARTIES

For Claimants:

Steve A. Buchwalter, Esq.
Law Offices of Steve A.
Buchwalter
Encino, California

For Respondents Long Securities Corporation II
and Lawrence S. Jay:

H. Thomas Fehn, Esq.
Fields, Fehn & Sherwin
Los Angeles, California

For Respondent Wedbush Morgan Securities, Inc.:

Jerry S. Phillips, Esq.
Richman, Mann, Chizever,
Phillips & Duboff
Beverly Hills, California

CASE INFORMATION

Statement of Claim filed: September 28, 1999

Claimants' Uniform Submission Agreement signed: September 28, 1999

Statement of Answer filed by Respondents Long Securities Corporation II and Lawrence S. Jay:
January 24, 2000

Statement of Answer filed by Wedbush Morgan Securities, Inc.: January 21, 2000

Respondent Long Securities Corporation II's Uniform Submission Agreement signed: March 10, 2000

Respondent Lawrence S. Jay's Uniform Submission Agreement signed: March 10, 2000

Respondent Wedbush Morgan Securities, Inc.'s Uniform Submission Agreement signed:
January 20, 2000

CASE SUMMARY

Claimants alleged fraud, deceit, misrepresentation, omission, violation of California Corporations Code Section 25400, violation of Section 10-B and Rule 10b-5 of the Exchange Act of 1934, churning, unauthorized trading, failure to follow instructions, conversion, suitability, negligence, failure to supervise, elder abuse, and breach of fiduciary duty. The dispute involved the purchase and/or sale of collateralized mortgage obligations in Claimants' accounts.

Respondents denied the allegations of wrongdoing set forth in the Claimants' Statement of Claim.

RELIEF REQUESTED

Louis J. Smith requested \$314,150.00 in compensatory damages against Long Securities Corporation II and Lawrence S. Jay. Louis J. Smith also requested \$117,000.00 in compensatory damages against Long Securities Corporation II, Lawrence S. Jay, and Wedbush Morgan Securities, Inc.

Louis J. Smith & Dorothy A. Smith requested \$92,430.00 in compensatory damages against Long Securities Corporation II and Lawrence S. Jay.

Louis J. Smith MD Inc. Money Purchase Pension Plan and Trust requested \$11,732.00 in compensatory damages against Long Securities Corporation II and Lawrence S. Jay.

Additionally, Claimants requested punitive damages, interest, and civil penalties. Claimants also sought reimbursement for attorney's fees and arbitration costs as set forth in the California Welfare & Institutions Code Section 15600, et seq. against all Respondents.

Respondents requested dismissal of the Claimants' Statement of Claim in its entirety. Additionally, Respondents Long Securities Corporation II and Lawrence S. Jay requested reimbursement for attorney's fees and arbitration costs.

OTHER ISSUES CONSIDERED AND DECIDED

At the hearing, the Arbitration Panel denied Respondent Long Securities Corporation II and Lawrence S. Jay's Motions to Dismiss.

At the hearing, the Arbitration Panel granted in part, and denied in part, Respondent Wedbush Morgan Securities, Inc.'s Motion to Dismiss. The Arbitration Panel dismissed with prejudice the following causes of action against Wedbush Morgan Securities, Inc.: elder abuse, conversion, and breach of fiduciary duty. The Motion to Dismiss on the grounds of negligence was denied.

The parties agreed that the Award in this matter may be executed in counterpart copies or that a handwritten, signed Award may be entered.

AWARD

After considering the pleadings, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondents Long Securities Corporation II and Lawrence S. Jay are jointly and severally liable to and shall pay Claimants \$613,875.00 in compensatory damages.
- 2) Respondent Wedbush Morgan Securities Inc. is liable to and shall pay Claimants \$17,750.00 in compensatory damages.
- 3) Claimants' request for punitive damages is denied.
- 4) The parties shall bear their respective costs, including attorney's fees.
- 5) All other relief requested and not expressly granted is denied.

FEEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution, Inc. received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$ 375.00
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Member Fees

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events which gave rise to the dispute, claim, or controversy.

The member firm Long Securities Corporation II is a party and the following fees are assessed:

Member Surcharge	= \$ 2,000.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	= \$ 3,500.00
Total Member Fees	= \$ 6,100.00

The member firm Wedbush Morgan Securities, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 1,500.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	= \$ 2,500.00
Total Member Fees	= \$ 4,600.00

Forum Fees and Assessments

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Panel. The following fees are assessed:

2 Pre-hearing conference sessions with the Panel @ \$ 1,200.00/session	= \$ 2,400.00
Pre-hearing conferences:	
January 17, 2001	1 session
July 30, 2001	1 session
6 Hearing sessions @ \$ 1,200.00/session	= \$ 7,200.00
Hearings:	
August 27, 2001	2 sessions
August 28, 2001	2 sessions
August 31, 2001	2 sessions
Total Forum Fees	= \$ 9,600.00

1. The Panel assessed \$ 6,400.00 of the forum fees jointly and severally to Respondents Long Securities Corporation II and Lawrence S. Jay.
2. The Panel assessed \$ 3,200.00 of the forum fees jointly and severally to Respondent Wedbush Morgan Securities, Inc.

Fee Summary

1. Claimants Louis J. Smith; Louis J. Smith and Dorothy A. Smith; and Louis J. Smith MD Inc. Money Purchase Pension Plan and Trust are charged jointly and severally with the following fees and costs:

Initial Filing Fee	= \$ 375.00
<u>Less payments</u>	<u>= \$(1,575.00)</u>
Refund Due Claimants	= \$(1,200.00)

2. Respondent Long Securities Corporation II is charged with the following fees and costs:

Member Fees	= \$ 6,100.00
<u>Less payments</u>	<u>= \$(2,000.00)</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 4,100.00

3. Respondent Wedbush Morgan Securities, Inc. is charged with the following fees and costs:

Member Fees	= \$ 4,600.00
<u>Forum Fees</u>	<u>= \$ 3,200.00</u>
Total Fees	= \$ 7,800.00
<u>Less payments</u>	<u>= \$(6,100.00)</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 1,700.00

4. Respondents Long Securities II and Lawrence S. Jay are charged jointly and severally with the following fees and costs:

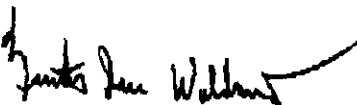
<u>Forum Fees</u>	<u>= \$ 6,400.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 6,400.00

All balances are payable to NASD Dispute Resolution, Inc. and are due upon the receipt of the Award pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Newton Ira Waldman, Esq.	-	Public Arbitrator, Presiding Chair
Mario H. Metzger	-	Public Arbitrator
Patricia J. Branco	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



Newton Ira Waldman, Esq.
Chair, Public Arbitrator

9/19/01

Signature Date

Mario H. Metzger
Public Arbitrator

Signature Date

Patricia J. Branco
Non-Public Arbitrator

Signature Date

9/19/01

Date of Service


ARBITRATION PANEL

Newton Ira Waldman, Esq.	-	Public Arbitrator, Presiding Chair
Mario H. Metzger	-	Public Arbitrator
Patricia J. Branco	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Newton Ira Waldman, Esq.
Chair, Public Arbitrator

Signature Date



Mario H. Metzger
Public Arbitrator

9/18/01

Signature Date

Patricia J. Branco
Non-Public Arbitrator

Signature Date

9/19/01

Date of Service

ARBITRATION PANEL

Newton Ira Waldman, Esq.	-	Public Arbitrator, Presiding Chair
Mario H. Metzger	-	Public Arbitrator
Patricia J. Branco	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Newton Ira Waldman, Esq.
Chair, Public Arbitrator

Signature Date

Mario H. Metzger
Public Arbitrator

Signature Date



Patricia J. Branco
Non-Public Arbitrator

Sept 19, 2001
Signature Date

9/19/01
Date of Service