

FINRA Dispute Resolution
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Number of Pages including the Cover Sheet:

32

Date: 03/20/2009

Case Number: 07-03054

Case Name: Maria Brezden, Individually and on behalf of the Maria Brezden IRA, et al. v. Associated Securities, Corp, et al.

To: David S. Markun

Phone: 310-454-5900 Fax: 310-454-5970

From: Ianthe Philips
Case Administrator

lyn

Message:

This facsimile transmission is intended only for the addressee(s) shown above. It may contain information that is privileged, confidential, or otherwise protected from disclosure. Any review, dissemination or use of this transmission or its contents by persons other than addressee is strictly prohibited. If you have received this transmission in error, please notify us immediately by telephone at the above number.



March 20, 2009

David S. Markun, Esq.
Markun Zusman & Compton LLP
17383 West Sunset Blvd.
Suite A380
Pacific Palisades, CA 90272

Subject: FINRA Dispute Resolution Arbitration Number 07-03054
Maria Brezden, Individually and on behalf of the Maria Brezden IRA, et al. v.
Associated Securities, Corp, et al.

Dear Mr. Markun:

In accordance with the Code of Arbitration Procedure I enclose the decision reached by the arbitrator(s) in the above-referenced matter.

Responsibility to Pay Monetary Award

Pursuant to the Code of Arbitration Procedure¹ the responsible party must pay any monetary awards within 30 days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction. If an award is not paid within 30 days, the responsible party must pay post-judgment interest at the legal rate or as provided in the award by the arbitrator(s).

Tracking Payment of Award

FINRA Dispute Resolution has implemented a system of monitoring and tracking compliance with arbitration awards by members and associated persons. We request prevailing claimants to notify us in writing when their awards have not been paid within 30 days of receipt of the award, and require member firms to certify in writing that they have complied with awards against them or their associated persons.

Written notification concerning award compliance or lack thereof must be directed to:

Avichai Badash
FINRA Dispute Resolution
One Liberty Plaza

¹Customer Code Rule 12904
Industry Code Rule 13904
Old Code Rule 10330(h)

165 Broadway, 52nd Floor
New York, NY 10006
212-858-4325 (tel) 301-527-4739 (fax)

Expedited Suspension Proceedings for Non-Payment of Awards

Members and associated persons who do not comply with an award in a timely manner are subject to expedited suspension proceedings as set forth in Rule 9554.

Right to File Motion to Vacate Award

All awards are **final** and are not subject to review or appeal by the arbitration panel or by FINRA Dispute Resolution. Any party wishing to challenge the award must make a motion to vacate the **award in a federal or state court** of appropriate jurisdiction pursuant to the Federal Arbitration Act, 9 U.S.C. § 10, or applicable state statute. There are limited grounds for vacating an arbitration award, and a party must bring a motion to vacate within the time period specified by the applicable statute. Parties and counsel should consult federal and state statutes and case law to determine the appropriate court, standards, and time limitations in their individual circumstances. FINRA Dispute Resolution is not authorized to provide legal advice concerning a motion to vacate.

A motion to vacate, confirm, or modify an arbitration award is a matter only between the parties to the arbitration. FINRA Dispute Resolution is not a proper party to post-award motions and should not be named as a party to any post-award motion. However, for cases filed on or after April 12, 2004, if the award contains expungement relief, or if a party seeks expungement relief in court, there may be a duty to name FINRA as a party as provided in Rule 2130.

Questions Concerning Award

Please direct any questions regarding this award to me. **The parties must not contact the arbitrators directly.**

Forum Fees

You will receive under separate cover an invoice that reflects the fees assessed and any outstanding balance or refund due. **Fees are due and payable to FINRA Dispute Resolution upon receipt of the invoice and remitted to the address specified on the invoice.**

Any applicable refunds will also be sent under separate cover approximately 45 days after the case closes. Pursuant to the Code of Arbitration Procedure, "Any refunds of fees or costs incurred under the Code will be paid directly to the named parties, even if a non-party made payment on behalf of the named parties."²

All questions regarding payment of fees and refunds should be directed to FINRA Finance at (240) 386-5910.


Arbitration Evaluation

² Customer Code Rule 12902(e)
Industry Code Rule 13902(e)

As a service organization, the primary goals of FINRA Dispute Resolution are the integrity of its process and the satisfaction of its clients. To ensure that we are meeting your needs and satisfying our commitment to you, **we need to hear from you.** If you have not already done so, please take the time to complete an evaluation of our services, the process, and the arbitrator(s) assigned to your case. For your convenience, we have now made it possible for you to evaluate our services using the Internet. Please direct your Web browser to <http://www.finra.org/arbevaluation>.

If you do not have Internet access, or have difficulty completing the evaluation form online, we will send a hard copy evaluation form to you. The completed evaluation form should be mailed in to the address indicated below. If you need a hard copy of the evaluation form, please contact the undersigned. Whenever possible, however, we encourage you to use the new online version, as it will help us to review your feedback in a more expeditious manner. Your feedback is a valuable and necessary component in our efforts to serve you better.

Very truly yours,



Ianthe Philips

Case Administrator

Phone: 213-613-2680

Fax: 301-527-4766

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idr: 03/09/2009

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March 20, 2009

David S. Markun, Esq.
Markun Zusman & Compton LLP
17383 West Sunset Blvd.
Suite A380
Pacific Palisades, CA 90272

Subject: FINRA Dispute Resolution Arbitration Number 07-03054
Maria Brezden, Individually and on behalf of the Maria Brezden IRA, et al. v.
Associated Securities, Corp, et al.

Dear Mr. Markun:

An arbitration Panel issued the enclosed award ordering you, or your client(s), to pay monetary damages or provide other relief to a party in the above-referenced matter.

Please be aware that the Code of Arbitration Procedure¹ provides as follows:

All monetary awards shall be paid within thirty (30) days of receipt unless a motion to vacate has been filed with a court of competent jurisdiction. An award shall bear interest from the date of the award: (1) if not paid within thirty (30) days of receipt, (2) if the award is the subject of a motion to vacate which is denied, or (3) as specified by the arbitrator(s) in the award. Interest shall be assessed at the legal rate, if any, then prevailing in the state where the award was rendered, or at a rate set by the arbitrator(s).

FINRA Dispute Resolution has implemented a system of monitoring and tracking compliance with arbitration awards by members and associated persons. Therefore, we request prevailing claimants to notify us in writing when their awards have not been paid within 30 days of receipt of the award, and require member firms to certify in writing that they have complied with awards against them or their associated persons.

Members must notify FINRA Dispute Resolution in writing, within 30 days of receipt of the award, whether or not they or their associated persons have complied with the award. The 30-day period ends on: April 20, 2009 Associated persons who have changed employment since the arbitration claim was filed are required to notify FINRA Dispute Resolution directly

¹Customer Code Rule 12904(i)
Industry Code Rule 13904(i)
Old Code Rule 10330(h)

regarding the payment status of any awards against them. Please review Notice to Members 00-55 for more information on the notification requirement and the sanctions for noncompliance.

All awards are **final** and are not subject to review or appeal by the arbitration panel or by FINRA Dispute Resolution. Any party wishing to challenge the award must make a motion to vacate the **award in a federal or state court** of appropriate jurisdiction pursuant to the Federal Arbitration Act, 9 U.S.C. § 10, or applicable state statute. There are limited grounds for vacating an arbitration award, and a party must bring a motion to vacate within the time period specified by the applicable statute. Parties and counsel should consult federal and state statutes and case law to determine the appropriate court, standards, and time limitations in their individual circumstances. A motion to vacate, confirm, or modify an arbitration award is a matter only between the parties to the arbitration. FINRA Dispute Resolution is not a proper party to post-award motions and should not be named as a party to any post-award motion.

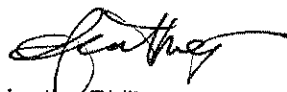
Please direct any questions regarding this award to me. **The parties must not contact the arbitrators directly.**

Please forward any questions or correspondence concerning the monitoring and tracking of arbitration awards and/or payment of awards to:

Avichai Badash
FINRA Dispute Resolution
One Liberty Plaza
165 Broadway, 52nd floor
New York, NY, 10006

You may also contact him by telephone at 212-858-4325, fax at 301-527-4739, or e-mail at avichai.badash@finra.org.

Very truly yours,



Ianthe Phillips
Case Administrator
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Fax: 301-527-4766
WesternProcessingCenter@finra.org

IP:csa: LC09X
idr: 09/29/2008

RECIPIENTS:

David S. Markun, Esq., Associated Securities Corp.
Markun Zusman & Compton LLP, 17383 West Sunset Blvd., Suite A380, Pacific
Palisades, CA 90272

Award
FINRA Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants:

Case Number: 07-03054

Maria Brezden, individually and on behalf of the Maria Brezden IRA and as Trustee of the Brezden Family Trust

John Brezden, individually and on behalf of the John Brezden IRA and as Trustee of the Brezden Family Trust

Clayton W. Beck, individually on behalf of the Clayton Beck IRA

Kathy Beck, individually and on behalf of the Kathy Beck IRA

Darcie and Jonathon Fulkerson

Debbie Beverly, individually on behalf of the Deborah Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust

Alan Beverly, individually and on behalf of the Alan Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust

Kevin A. Howard

Mark Gruidl, individually and on behalf of the Mark Gruidl SEP IRA and as Trustee of the Mark Gruidl Trust

Angela Soll, individually and as Trustee of the Soll Trust

Mark Soll, individually and as Trustee of the Soll Trust, Trustee of the Central Coast Chest Consultants Trust Profit Sharing Plan-Mark Soll and as Trustee of the Central Coast Chest Consultants-Profit Sharing Plan

William Sima, individually and on behalf of the William Sima-MD 401(k) PSP and as Trustee of the William and Dawn Sima Trust

Gail Stoneburg, individually and as beneficiary of the Charles Stoneburg Estate

Mark R. Baker, individually and on behalf of The Mark Baker IRA and as Trustee of The Baker Family Trust

Michael Krout, individually and as Trustee of the Michael S. Krout, A Law Corporation Profit Sharing Plan

William M. Russell, individually and on behalf of the William Russell IRA and on behalf of the Radiology Associates of SLO fbo William Russell Profit Sharing Plan

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 2 of 21

Rena Stathacopoulos, individually and on behalf of The San Luis Obispo Eye Profit Sharing Plan

Carole Renfro, individually and as Trustee of the Charles and Carole Renfro Trust

Audrey Schaefer, individually and on behalf of the Audrey Schaefer Roth IRA, and as Trustee of the Schaefer Family Trust

Michael Schaefer, individually and on behalf of the Michael Schaefer IRA and on behalf of the Michael Schaefer Roth IRA

Stephanie Schaefer, individually and on behalf of the Stephanie Schaefer IRA

Linda Gaffney, individually and on behalf of the Linda Gaffney IRA

Jeff Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust

Tammy Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust

Name of the Respondents: Hearing Site: Los Angeles, California

Associated Securities, Corp.

Jeffrey Allan Forrest

Dane Christopher Streeter

Nature of the Dispute: Customers vs. Member and Associated Persons

REPRESENTATION OF PARTIES

Claimants, Maria Brezden, individually and on behalf of the Maria Brezden IRA and as Trustee of the Brezden Family Trust; John Brezden, individually and on behalf of the John Brezden IRA and as Trustee of the Brezden Family Trust; Clayton W. Beck, individually on behalf of the Clayton Beck IRA; Kathy Beck, individually and on behalf of the Kathy Beck IRA; Darcie and Jonathon Fulkerson; Debbie Beverly, individually on behalf of the Deborah Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust; Alan Beverly, individually and on behalf of the Alan Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust; Kevin A. Howard; Mark Gruidl, individually and on behalf of the Mark Gruidl SEP IRA and as Trustee of the Mark Gruidl Trust; Angela Soll, individually and as Trustee of the Soll Trust; Mark Soll, individually and as Trustee of the Soll Trust, Trustee of the Central Coast Chest Consultants Trust Profit Sharing Plan-Mark Soll and as Trustee of the Central Coast Chest Consultants-Profit Sharing Plan; William Sima, individually and on behalf of the William Sima-MD 401(k) PSP and as Trustee of the William and Dawn Sima Trust; Gail Stoneburg, individually and as beneficiary of the Charles Stoneburg Estate; Mark R. Baker, individually and on behalf of The Mark Baker IRA and as Trustee of The Baker Family

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 3 of 21

Trust; William M. Russell, individually and on behalf of the William Russell IRA and on behalf of the Radiology Associates of SLO fbo William Russell Profit Sharing Plan; Rena Stathacopoulos, individually and on behalf of The San Luis Obispo Eye Profit Sharing Plan; Carole Renfro, individually and as Trustee of the Charles and Carole Renfro Trust; Audrey Schaefer, individually and on behalf of the Audrey Schaefer Roth IRA, and as Trustee of the Schaefer Family Trust; Michael Schaefer, individually and on behalf of the Michael Schaefer IRA and on behalf of the Michael Schaefer Roth IRA; Stephanie Schaefer, individually and on behalf of the Stephanie Schaefer IRA; Linda Gaffney, individually and on behalf of the Linda Gaffney IRA; Jeff Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust; and, Tammy Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust, hereinafter collectively referred to as "Claimants": Robert A. Uhl, Esq., Aidikoff, Uhl & Bakhtiari, Beverly Hills, California

Claimant, Michael Krout, individually and as Trustee of the Michael S. Krout, A Law Corporation Profit Sharing Plan, hereinafter referred to as "Claimant Krout": Donald P. Wagner, Esq., Enterprise Counsel Group, Irvine, California

Respondent Associated Securities Corp. ("ASC"): David S. Markun, Esq., Markun Zusman & Compton LLP, Pacific Palisades, California

Respondent Jeffrey Alan Forrest ("Forrest"): Thomas Rittenburg, Esq., Lewis Brisbois Bisgaard & Smith LLP, Los Angeles, California

Respondent Dane Christopher Streeter ("Streeter"): Jonathan Schwartz, Esq., Law Offices of Jonathan Schwartz, Marina Del Rey, California

CASE INFORMATION

Statement of Claim filed: October 26, 2007

First Amended Statement of Claim filed on or about: November 30, 2007

Second Amended Statement of Claim filed on or about: January 10, 2008

Third Amended Statement of Claim filed on or about: April 14, 2008

Claimant Maria Brezden, individually and on behalf of the Maria Brezden IRA and as Trustee of the Brezden Family Trust, signed the Uniform Submission Agreement: October 10, 2007

Claimant John Brezden, individually and on behalf of the John Brezden IRA and as Trustee of the Brezden Family Trust, signed the Uniform Submission Agreement: October 10, 2007

Claimant Clayton W. Beck, individually on behalf of the Clayton Beck IRA, signed the Uniform Submission Agreement: October 9, 2007

FINRA Dispute Resolution
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Claimant Kathy Beck, individually and on behalf of the Kathy Beck IRA, signed the Uniform Submission Agreement: October 9, 2007

Claimants Darcie and Jonathon Fulkerson signed the Uniform Submission Agreement: October 9, 2007

Claimant Debbie Beverly, individually on behalf of the Deborah Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust, signed the Uniform Submission Agreement: October 10, 2007

Claimant Alan Beverly, individually and on behalf of the Alan Beverly IRA and as Trustee of the Alan and Deborah Beverly Family Trust, signed the Uniform Submission Agreement: October 10, 2007

Claimant Kevin A. Howard signed the Uniform Submission Agreement: October 12, 2007

Claimant Mark Gruidl, individually and on behalf of the Mark Gruidl SEP IRA and as Trustee of the Mark Gruidl Trust signed the Uniform Submission Agreement: October 8, 2007

Claimant Angela Soll, individually and as Trustee of the Soll Trust, signed the Uniform Submission Agreement: October 9, 2007

Claimant Mark Soll, individually and as Trustee of the Soll Trust, Trustee of the Central Coast Chest Consultants Trust Profit Sharing Plan-Mark Soll and as Trustee of the Central Coast Chest Consultants-Profit Sharing Plan, signed the Uniform Submission Agreement: October 9, 2007

Claimant William Sima, individually and on behalf of the William Sima-MD 401(k) PSP and as Trustee of the William and Dawn Sima Trust, signed the Uniform Submission Agreement: October 11, 2007

Claimant Gail Stoneburg, individually and as beneficiary of the Charles Stoneburg Estate, signed the Uniform Submission Agreement: October 10, 2007

Claimant Mark R. Baker, individually and on behalf of The Mark Baker IRA and as Trustee of The Baker Family Trust, signed the Uniform Submission Agreement: October 9, 2007

Claimant Michael Krout, individually and as Trustee of the Michael S. Krout, A Law Corporation Profit Sharing Plan, signed the Uniform Submission Agreement: October 24, 2007

Claimant William M. Russell, individually and on behalf of the William Russell IRA and on behalf of the Radiology Associates of SLO fbo William Russell Profit Sharing Plan, signed the Uniform Submission Agreement: October 23, 2007

FINRA Dispute Resolution
Arbitration No. 07-03054
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Claimant Rena Stathacopoulos, individually and on behalf of The San Luis Obispo Eye Profit Sharing Plan signed the Uniform Submission Agreement: October 23, 2007

Claimant Carole Renfro, individually and as Trustee of the Charles and Carole Renfro Trust, signed the Uniform Submission Agreement: October 9, 2007

Claimant Audrey Schaefer, individually and on behalf of the Audrey Schaefer Roth IRA, and as Trustee of the Schaefer Family Trust, signed the Uniform Submission Agreement: October 8, 2007

Claimant Michael Schaefer, individually and on behalf of the Michael Schaefer IRA and on behalf of the Michael Schaefer Roth IRA, signed the Uniform Submission Agreement: October 8, 2007

Claimant Stephanie Schaefer, individually and on behalf of the Stephanie Schaefer IRA, signed the Uniform Submission Agreement: October 8, 2007

Claimant Linda Gaffney, individually and on behalf of the Linda Gaffney IRA, signed the Uniform Submission Agreement: October 24, 2007

Claimant Jeff Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust, signed the Uniform Submission Agreement: October 23, 2007

Claimant Tammy Bourne, individually and as Trustee of the Jeff and Tammy Bourne Family Trust, signed the Uniform Submission Agreement: October 23, 2007

Motion for a More Definite Statement of Claim and Conditional Answer to Statement of Claim filed by Respondent ASC on or about: January 7, 2008

Motion for a More Definite Statement of Claim and First Amended Conditional Answer to Second Amended Statement of Claim filed by Respondent ASC on or about: January 30, 2008

Respondent ASC signed the Uniform Submission Agreement: November 16, 2007

Statement of Answer to First Amended Statement of Claim filed by Respondent Forrest: December 20, 2007

Statement of Answer to Second Amended Statement of Claim filed by Respondent Forrest: January 29, 2008

Statement of Answer to Third Amended Statement of Claim filed by Respondent Forrest: May 23, 2008

Respondent Forrest signed the Uniform Submission Agreement: January 28, 2008

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 6 of 21

CASE SUMMARY

Claimants asserted the following causes of action: 1) Breach of Fiduciary Duty; 2) Constructive Fraud; 3) Fraud by Misrepresentation and Omission; 4) Elder Abuse; 5) Failure to Supervise and Control; and, 6) Violation of State and Federal Securities Laws; FINRA Rules of Fair Practice and NYSE rules. The causes of action related to investments in APEX Equity Options Fund L.P., Premier Fund, San Luis Trust Bank, Florida Capital Real Estate Partners, Boom J, Kennedy Clubs LLC, and Estate Financial Mortgage Fund.

Unless specifically admitted in their Answers, Respondents denied the allegations made in the Statements of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

Claimants requested:

1. General and Compensatory Damages in an amount according to proof, but not less than \$9,613,467.00 minus any amounts withdrawn;
2. Lost opportunity costs in an amount according to proof;
3. Rescission of all unsuitable investments Respondents recommended;
4. Punitive damages in an amount according to proof;
5. Punitive damages in an amount according to proof pursuant to California Civil Code Section 3345;
6. Interest at the legal rate on all sums recovered;
7. Costs, including attorneys' fees pursuant to California Welfare & Institutions Code Sections 15610.27, 15610.30, 15657 and 15657.1; and,
8. Other relief as deemed just and appropriate.

Respondent ASC requested:

1. That Claimants take nothing by way of their Statements of Claim;
2. That the claims be dismissed in their entirety, or, severance of the Claimants who have no relationship with each other;
3. Costs and forum fees; and,
4. Other relief as deemed just and proper.

Respondent Forrest requested:

1. That Claimants take nothing by reason of their Statements of Claim;
2. Costs; and,
3. Other relief as deemed just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

Respondent Streeter did not file with FINRA Dispute Resolution a properly executed Uniform Submission Agreement but is required to submit to arbitration pursuant to the *Code of Arbitration Procedure* ("Code") and is bound by the determination of the Panel on all issues submitted.

On November 3, 2007, Claimants filed the First Amended Statement of Claim in accordance with Rule 10328(a) of the Code.

On January 10, 2008, Claimants filed the Second Amended Statement of Claim in accordance with Rule 10328(a) of the Code.

By letter dated February 8, 2008, Claimant Krout, individually and as Trustee of the Michael S. Krout, A Law Corporation Profit Sharing Plan, withdrew his claims without prejudice pursuant to the agreement of counsel for all parties who have answered. In addition, by letter dated February 13, 2009, Respondent Forrest confirmed his agreement with the withdrawal of Claimant Krout's claims without prejudice.

By letter dated March 17, 2008, Claimants dismissed Respondent Streeter without prejudice.

On April 14, 2008, Claimants filed the Third Amended Statement of Claim by stipulation of all parties. On April 4, 2008, Claimants and Respondent ASC stipulated that the responsive pleading filed by Respondent ASC to Claimants' Second Amended Statement of Claim would serve as ASC's operative pleading in the matter and that ASC would not be required to file a pleading in response to Claimants' Third Amended Statement of Claim. The Panel accepted the parties' stipulation.

On January 5, 2009, Respondent ASC filed a Motion to Dismiss Relating to Sold Away Investments Based on Undisputed Facts and on January 14, 2009, filed a supplement to the motion. The Panel deferred ruling on the motion until after the conclusion of the Claimant's case in chief. Respondent ASC withdrew the motion at the hearing.

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.

FINDINGS AND CONCLUSIONS

After considering the pleadings, testimony, and evidence presented at the hearing, and the post-hearing submissions, the Panel decides in full and final resolution of the issues submitted for determination with respect to the claims presented in this action as follows: Claimants shall recover damages, without interest or attorneys fees, from Respondents Jeffrey Allan Forrest ("Forrest") and Associated Securities Corporation ("ASC") the aggregate sum of \$8,858,596.00. Forrest and ASC shall be jointly and severally liable to pay this amount to Claimants. The precise recovery of each claimant on a differentiated basis, is set forth at the end of this decision.

DISCUSSION

This action is brought by approximately 17 families on behalf of themselves, their family trusts, IRA's and profit sharing plans (hereinafter "Claimants" or "Claimant Class"). Each claimant is identified in the Third Amended Statement of Claim, which is the

operative pleading in this action. Claimants were all clients, in one form or another, of respondent, Jeffrey Allan Forrest ("Forrest"). Forrest was a registered principal of respondent Associated Securities Corporation ("ASC") and a certified financial planner/registered investment advisor ("RIA"), who operated his financial planning business through a separate entity called Wealth Wise, LLC. Forrest held various securities licenses including Series 6, 7, 8, 24, 63 and appropriate licenses to sell insurance in the State of California. Forrest also held, and held himself out as holding, the following financial planner designations: "MSFS;" "MS;" "CFP;" and "CSPG."

Forrest was associated with ASC from 1989 through approximately October 2006 when he was asked to resign, apparently because of payouts ASC was forced to make on other claims brought against him. During the time period relevant to this action, Forrest's office in San Luis Obispo, California was an OSJ (Office of Supervisory Jurisdiction) for ASC. Thus, a "Super OSJ" from ASC supervised Forrest's office. Surprisingly, the department that oversaw Forrest's supervision ultimately reported to a marketing position.

Each of the individuals and/or families identified in the Statement of Claim was a client of Forrest—some for 20 years or more and some for only a short time leading up to the investments that are the subject of this action. Sadly, many of these same individuals and families were Forrest's friends.

This action involves five investments that Forrest recommended to various members of the Claimant Class: (1) Apex Equity Options Fund, LP/Premier Fund (an offshore offshoot of Apex)(hereinafter collectively referred to as "Apex"); (2) San Luis Trust Bank; (3) Florida Capital Real Estate Partners ("Florida Capital"); (4) Kennedy Clubs, LLC; and (5) Estate Financial Mortgage Fund, LLC ("Estate Financial") 1/ The Statement of Claim seeks damages from Forrest and ASC on several legal theories including breach of fiduciary duty, constructive fraud, fraud by misrepresentation and omission, elder abuse, failure to supervise and control (against ASC) and violation of federal and state securities laws, FINRA Rules of Fair Practice and NYSE Rules.

1. APEX

The centerpiece around which the claims in this action revolve is Apex, an investment in which Claimants collectively lost, after taking into consideration withdrawals during the course of the investment period, in excess of \$8 million. While the parties disagree about whether Apex is properly characterized as a "hedge fund," as testified to by Forrest and in expert testimony or another form of "non conventional investment" as suggested by other expert testimony, Apex was indeed a managed fund that, by its terms and nature, was authorized to engage in highly speculative options trading. The details of how Apex operated are unimportant to the resolution of this action. Needless

1/ A sixth allegedly unsuitable investment called "BoomJ" was withdrawn from consideration by Claimants' counsel at the hearing.

to say, the managers of Apex lost all of the money entrusted to them by all of the investors, including those Forrest recommended. 2/

At the outset, Forrest qualified some 42 of his clients to invest in Apex. Together, Forrest's clients, including the Claimants here, accounted for 80% or more of the total funds invested in Apex. For all of his effort in building up Apex, Forrest earned undisclosed fees of over \$800,000 between 2005 and mid 2007. 3/

Forrest sold Apex as an investment that used the "Apex Process" to provide safety, security and liquidity of the investors' principal. This was consistent with what the fund managers of Apex represented at meetings that Forrest sponsored for his clients, including the Claimants. However, the "safety, security and liquidity" of monies invested in Apex was completely at odds with the rights conferred upon the fund manager and restrictions imposed upon the investors by the Private Placement Memorandum (PPM) and Subscription Agreement. This notwithstanding, in countless written correspondence and oral presentations to clients Forrest emphasized the safety and liquidity of their principal invested in Apex. Forrest even went so far as to encourage some of his clients to borrow money against their homes to invest in Apex.

Forrest's representations to his clients, including the Claimants, about the safety, security and liquidity of their investments in Apex, in light of what Forrest knew and understood from the PPM, constitute fraud or deceit within the meaning of California law, see Cal. Civ. Code §§ 1709 & 1710, and also violate the anti-fraud provisions of federal and state securities laws, e.g. Rule 10b-5. Forrest's misrepresentations are more acute because of the context in which they arose—that he was a trusted financial advisor and in some cases a friend, from whom these Claimants sought expert advice about how and where to invest monies with which they were unwilling to take significant risks—and certainly not risks of the type that are characteristic to options trading. See generally, *Blankenheim v. E.F. Hutton & Company, Inc.* (1990) 217 Cal.App.3d 1463, 1475-76 (relationship between stockbroker and customer is fiduciary in nature).

And while it is true that each of the claimants, for the most part, had some measure of sophistication and experience, including investment experience, it is equally apparent that Claimants reasonably and justifiably relied on Forrest's advice. None of the Claimants had any experience in or understanding about investing in options (with the possible exception of Mark Baker), much less investing in an options trading fund. Forrest held himself out as an expert in matters of this sort and that is precisely why

2/ There was multiple hearsay evidence presented at the hearing that Apex failed because the fund managers misappropriated \$2 to \$3 million shortly before the fund collapsed. The claim by the respondents thus is that following this unforeseeable event the fund managers abandoned their "advertised" conservative trading strategy to engage in highly risky naked options trading to try and "win back" the misappropriated monies—all of which caused the fund's demise. Respondents' argument then proceeds that these events broke the chain of causation between the reason(s) for and/or suitability of Claimants' investment in Apex and their ultimate losses arising there from. See discussion *infra* at 4-5.

3/ Forrest is the subject of a complaint by the SEC because of his failure to disclose his fees in connection with Apex.

Claimants hired him as their financial advisor/planner. Indeed, when the Claimants asked Forrest about the contents of the PPM before they signed the Apex Subscription documents, he told them they did not need to read it themselves because he had read it and "that was what they were paying him for." The one claimant, Rena Stathacopoulos, who did in fact read the PPM and saw the various disclaimers about risk that were inconsistent with what Forrest was touting about Apex was essentially told to ignore it as "legalese." Forrest then went on to tell her that he rated the risk of investing in Apex on a scale of 1 to 10 (with 1 being the "safest") as a 2 or 3 notwithstanding that options trading, especially naked options trading, as was done here, is probably a 9 or 10 on that same 10 point scale. See *id.* at 1474 (businessman's education and acumen not sufficient to negate justifiable reliance on allegedly false representations of broker regarding an investment outside his area of expertise).

At bottom, the evidence is undisputed that Claimants put their faith and trust in Forrest. They had every right to rely on his purported expertise in matters of finance—particularly here where they paid him substantial fees to look after their interests in such matters.

Respondents do not seriously dispute the foregoing. Their dispute about Apex largely centers on the causal relationship, or lack thereof, between Forrest's wrongdoing and the Claimants' losses. 4/ Specifically, Respondents contend that the fund manager's misappropriation of \$2-\$3 million from Apex before its collapse was essentially an independent intervening event that lead to the funds ultimate demise. However, causation is proven if the Respondents' conduct was a "substantial factor" in bringing about the Claimants' harm. *Williams v. Wraxall* (1995) 33 Cal.App.4th 120, 132. This translates into a requirement that the Claimants prove their losses in Apex were more likely than not caused by Forrest's fraud. This burden is readily met here.

The Apex Fund collapsed, according to the evidence presented at the hearing, because the fund managers engaged in the very risky trading activities that the PPM and Subscription documents permitted and disclosed. That the fund managers could, and would, engage in this risky brand of trading was reasonably foreseeable from the outset since it was expressly authorized. That the misappropriation may have precipitated a

4/ Respondent ASC disputes it is liable for any of Forrest's wrongdoing because he was not its agent with respect to Apex because Apex was not an approved investment (Forrest was "selling away"). ASC reasons that because Forrest's sale of Apex was outside the course and scope of his agency relationship with ASC, it cannot be vicariously liable for his fraud. This panel disagrees for the reasons discussed *infra* at 5-7.

Respondents also seem to urge that because Forrest merely parroted what the Apex Fund managers were telling him, this somehow cuts off their liability. Forrest, of course, had an independent duty not to make knowingly false or misleading representations about the safety and security of Apex. That the fund managers may also be guilty of fraud or other wrongdoing does not absolve Forrest of responsibility for his own malfeasance.

Finally Respondents suggest, at least with respect to several members of the Claimant Class, that Forrest never interacted with them directly and therefore he cannot be liable to them. The law is otherwise. Specifically Civil Code § 1711 provides that a person is responsible for representations made to a person or group of persons with the reasonable expectation that the representations would be repeated to others. This is the case here in as much as Forrest was touting Apex to all of his "accredited" clients and their family members.

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change of strategy in the Fund's management does not take the actions that produced the loss outside the realm of the foreseeable. Indeed, there was no proof offered that the fund managers would not have engaged in trading naked options regardless of the misappropriation. This is not a case where Respondents can seriously maintain that the Claimants' losses "were inevitable or due to unrelated causes" thus cutting off any liability. *Express LLC v. Fetish Group, Inc.*, 464 F. Supp.2d 965, 972 (C.D. Cal. 2006)(quoting *Goehring v. Chapman University* (2004) 121 Cal.App.4th 353, 365). Forrest's fraudulent representations and omissions caused the Claimants to part with their money for an investment that he touted as safe and secure when it was in fact highly speculative and risky. Claimants' losses here are more likely, than not, the result of Forrest's misconduct.

A. ASC'S LIABILITY

As mentioned above, ASC vigorously contends it is not liable for Forrest's misconduct with respect to Apex because he was "selling away" an unapproved investment. 5/ Claimants respond, in part, that in countless letters and memos Forrest held himself out as a registered representative of ASC and that they (Claimants) individually and collectively relied on the fact that Forrest was backed by ASC to make their investment in Apex. Claimants therefore contend that Forrest was an ostensible agent of ASC. Claimants also contend that ASC is independently liable because it failed to properly supervise Forrest's activities as its registered representative.

This Panel finds that Forrest was not an ostensible agent of ASC but was in fact an actual agent because of the measure of control ASC could exercise over Forrest's activities, including his RIA/financial planner activities. At the same time, we also find that ASC failed to properly supervise Forrest and is therefore independently liable for the damages suffered by the Claimants.

i. Vicarious liability

It is axiomatic that "control" is the sole factor in determining the existence of an agency or employment relationship for purposes of imposing vicarious liability upon the putative employer or principal. See *Varisco v. Gateway Science and Engineering, Inc.* (2008) 166 Cal.App.4th 1099, 1103 (Employee/ Independent Contractor); *DeSuza v. Andersack* (1976) 63 Cal.App.3d 694, 699 (Agent). Thus, it is "the right to control, rather than the amount of control which was exercised [that] is the determinative factor." 166 Cal.App.4th at 1103. In this case, the record is replete with evidence that ASC retained substantial control over Forrest's business, including the RIA side. He was required to clear all his correspondence through ASC's web based lexicon system and otherwise preserve all correspondence for review by ASC's Super OSJ staff. Indeed, in 2006 ASC implemented a requirement that RIA's like Forrest, with assets under management in excess of \$50 million, be subject to an annual independent audit at ASC's expense. Forrest was also required to have all of his "advertising" approved by ASC before it could be disseminated to the public. Moreover, ASC had the unfettered right to terminate Forrest as a registered principal thus giving it a level of authority through

5/ ASC brought a motion to dismiss the claims against it on this basis. However, it withdrew the Motion shortly before it was to be heard by this panel.

which it could leverage its right to control Forrest's activities. See *Burlingham v. Gray* (1943) 22 Cal.2d 87, 99-100; *Toyota Motor Sales U.S.A. Inc.* (1990) 220 Cal.App.3d 864, 875 (unlimited right to discharge at will is a strong factor demonstrating employment); also see *Hollinger v. Titan Capital Corp.*, 914 F.2d 1564, 1574 (9th Cir. 1990) (broker/dealer's ability to deny representative access to markets gives it effective control over the representative at a most basic level). All of these factors together indicate that ASC maintained a substantial measure of control over the manner and means by which Forrest operated his business, including the RIA side.

ASC also submits that it is not a "controlling person" under § 20(a) of the 1934 Act which makes a broker/dealer (here ASC) jointly and severally liable for the acts of its representatives that it directly or indirectly controls, unless it acted in good faith **and** did not directly or indirectly induce the acts of misconduct. *Hollinger*, 914 F.2d at 24-25 (citing 15 USC § 78(a)). ASC relies on essentially three cases to refute its prospective liability in this vein: (1) *Asplund v. Selected Investments In Financial Equities, Inc.* (2001) 86 Cal.App.4th 26; (2) *Hauser v. Farrell*, 14 F.3d 1338 (9th Cir. 1994); and (3) *Kelter v. Forrest* (CD Cal. 2008) an unpublished order granting ASC summary judgment on plaintiff's complaint. None of these cases is persuasive authority for the result ASC seeks in light of the facts adduced at the hearing.

Asplund involved a representative of defendant Selected Investments ("SIFE") who was **only** authorized to sell SIFE's product(s). 86 Cal.App.4th at 35. Therefore, SIFE's compliance department only focused its attention on the sale of SIFE products since the representative was not authorized to sell anything else. *Id.* More importantly, the *Asplund* court found nothing in the record to indicate any intent by SIFE to adopt the supervisory requirements of federal or state law with respect to the sale of non-SIFE products *id.* at 40, in stark contrast to the circumstances here. The record in this case establishes that ASC did in fact adopt NASD, now FINRA, and SEC guidelines for the supervision of all activities of its registered representatives, regardless of what those representatives were selling. ASC even required its RIAs/representatives to undergo an audit, regardless of whether the product(s) being sold were approved by ASC. More importantly, ASC exacted an override, albeit a small one, from the fees Forrest earned on his sale of Apex and other non-approved investments.

This fact alone markedly distinguishes this case from *Hauser*—as do the other facts outlined above. *Kelter* is equally unhelpful to ASC for the same reasons.

ASC argues on brief that it acted in good faith in connection with Forrest's sales of ASC and therefore is not subject to "controlling person" liability. However, ASC offered no evidence to support this bare assertion other than that Apex was not an approved investment and ASC, arguably, was unaware that Forrest was touting it. However, once ASC has been shown to be a controlling person, it has the burden of establishing its "good faith":

"The burden to establish good faith rests with the broker-dealer once it is shown to be a controlling person and it cannot satisfy this burden "merely by saying that it has supervisory procedures in place, and therefore, it has fulfilled

its duty to supervise. A broker-dealer can establish the good faith defense **only** by proving that it 'maintained and enforced a reasonable and proper system of supervision and internal control.'"

Asplund, 86 Cal.App.4th at 42-43 (citing Hollinger and Zweig v. Hearst Corp, 521 F.2d 1120, 1134-1135 (9th Cir. 1975))(emphasis added).

Notwithstanding the obligations ASC assumed under federal and state securities law, as well as the guidelines of Self Regulatory Organizations (SROs) like the NASD and the NYSE, which guidelines and regulations are explicitly incorporated into its own compliance manual, ASC completely failed to notice Forrest's written claims/advertisements touting the safety and security of Apex. Indeed, there was not a shred of evidence that ASC's Super OSJ audits of Forrest reviewed, or revealed, a single piece of correspondence that was generated out of his office. In particular, the testimony was that if correspondence were examined as part of such an audit, it would bear the reviewer's initials. Surprisingly, not a single piece of initialed correspondence was introduced in evidence by ASC, except for two pieces of correspondence Forrest initialed himself. These circumstances illustrate the concern the Ninth Circuit expressed in Hollinger as follows:

"To allow a brokerage firm to avoid secondary liability simply by showing ignorance, purposeful or negligent, of the acts of its registered representative contravenes Congress' intent to protect the public, particularly unsophisticated investors, from fraudulent practices."

914 F.2d at 1577(quoting Paul F. Newton & Co. v. Texas Commerce Bank, 630 F.2d 1111, 1118-19 (5th Cir. 1980))

As such, under the circumstances and legal authority outlined above, the panel concludes that ASC is jointly and severally liable for Forrest's fraudulent conduct in connection with the sale of Apex to the Claimants.

ii. Failure to Supervise

As stated above, the panel also finds ASC independently liable for the losses Claimants suffered because of its failure to diligently and properly supervise Forrest's activities. ASC undertook in its compliance manual to supervise all of the activities of its registered representatives. It did not limit itself to supervision of only those activities involving the sale of "approved investments". Its adoption of SEC and SRO guidelines in its compliance manual leads to the singular conclusion that it voluntarily assumed a legal duty to protect the investing public in accordance with those guidelines, along with industry standards.

To the extent that ASC undertook to protect the public by imposing various requirements relating to advertising and the content of correspondence, among other things, the record reveals it blithely failed to enforce them. Forrest testified that he never concealed any files or information from ASC auditors or compliance personnel. Yet in spite of the many letters and memos Forrest wrote touting Apex over a nearly 2-

year period, ASC never reviewed a single one. Thus ASC is either guilty of deliberate ignorance or gross negligence.

In either case, ASC undertook a duty to supervise which it failed to exercise. Had it reviewed even a single piece of Forrest's letters or memos touting Apex, it certainly would have investigated further and likely discouraged some, if not all, of the Claimants from investing—in some cases over 100% of their liquid net worth in a highly speculative and high fee options trading fund. At the very least, ASC could have disassociated itself from this investment and laid out, in non-legalese, the incredible risks the Claimants were taking. Its neglect to do so was undoubtedly a substantial factor in producing the losses Claimants seek to recover in this action.

Accordingly, ASC is independently liable for the Apex losses suffered by the Claimants in this case as well.

2. OTHER INVESTMENTS RECOMMENDED BY FORREST

The other investments recommended by Forrest include a publicly traded stock in a local bank, San Luis Trust Bank; a Real Estate Limited Partnership, Florida Capital; a health club, Kennedy Clubs; and a Mortgage Lender, Estate Financial. Only a small percentage of the members of the Claimant Class invested in these vehicles.

A. San Luis Trust Bank

Forrest recommended that his clients purchase the stock of a local bank—San Luis Trust Bank ("SLTB"). SLTB was a publicly traded company that Forrest was familiar with because he was one of its customers. He was familiar with the staff and reasonably believed that its local "personal touch" bode well for its profitability and ultimate value. The company was also touted in independent banking industry publications as a highly rated, and well run, local financial institution.

Six (6) different claimant families purchased SLTB stock on Forrest's recommendation and now complain that Forrest's recommendation was "unsuitable" to their respective levels of investment tolerance and expertise. They also complain that Forrest failed to disclose that the stock was thinly traded, that the company had been subjected to two minor regulatory citations and that Forrest had borrowed \$2.8 million from the bank.

Every one of the complaining claimants was able to sell his or her stock in SLTB at various times. None of these claimants offered any evidence tending to prove that Forrest's borrowing was anything other than at arms length and that either of the regulatory citations imposed upon the bank (or its officers) had anything whatsoever to do with the decline in value of the bank's stock.

Furthermore, each one of these complaining claimants was an experienced investor who, from the evidence, understood the general risks of investing in the stock market. In contrast to Apex, Forrest did not make patently false representations about the safety, security and/or liquidity of investing in SLTB. SLTB was not an unsuitable investment for any of these claimants, and Forrest did not do, or fail to do, anything, that caused SLTB's stock to lose value.

Accordingly, this panel denies the claims of these claimants for the losses they suffered from their investment in SLTB.

B. Florida Capital

Florida Capital is a real estate limited partnership that Forrest recommended to his clients, only three (3) of whom are claimants in this case. Each claimant here makes similar assertions in connection with this investment as they do with respect to the others. However there is again no evidence that Forrest made any material misrepresentations or omissions with respect to this investment. Similarly, there was also no evidence presented that this investment was unsuitable to any of the 3 claimants who purchased it.

Just as importantly, there was no evidence whatsoever that any of these claimants has actually lost anything on this investment. See *Piscitelli v. Friedenberg* (2001) 87 Cal.App.4th 953, 989 ("whatever its measure in a given case, it is fundamental that 'damages which are speculative, remote, imaginary, contingent, or merely possible cannot serve as a legal basis for recovery.'") Accordingly, this panel denies the Claimants any recovery owing to alleged, and unproven, losses they may have sustained in connection with Florida Capital.

C. Estate Financial

Estate Financial was a company that made loans secured by real property. Only one of the claimants in this case invested in Estate Financial. Evidently, Estate Financial was rocked by the ongoing financial crisis in the credit markets and the underlying decline of real estate values. According to the testimony (all of which was again hearsay), Estate Financial is in bankruptcy and the investors may receive some portion of their investment back. Thus, in addition to the fact that the evidence failed to prove this investment was unsuitable for this particular claimant, the panel would again have to speculate about whether or to what extent this particular claimant actually suffered a loss.

Therefore, this claimant's request for relief relating to Estate Financial is denied.

D. Kennedy Clubs

Kennedy Clubs is a limited liability company that owns and operates health clubs. It owns the real estate on which its health clubs operate, and leases out the balance of its available space to third party tenants. Until recently, Kennedy Clubs has made distributions to its investors and evidently it is preparing to make further distributions in the near future. There was also evidence that a sale of the enterprise is afoot.

Only one claimant invested in Kennedy Clubs, and again this panel is in no position to determine from the record before it whether or to what extent this claimant has, or will, lose any money in this investment.

Accordingly, this claimant's request for relief relating to Kennedy Clubs is denied.

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3. ATTORNEY'S FEES

Certain claimants ask this panel to award them attorneys fees to the extent they have been successful on their claims herein. The legal basis on which these claimants seek to recover their attorney's fees is grounded on their "Elder Abuse" theory of liability. The Elder Abuse and Dependent Adult Protection Act is codified in California's Welfare & Institutions Code §§ 15610 et seq. However, in order to obtain relief under the statute, where the claim, as here, asserts the defendant took "financial advantage" of the claimant, the claimant must prove that the defendant took, hid, misappropriated or retained the claimant's property. CACI 3100.

That is not the situation here—Forrest did not take, hide, misappropriate or retain money or property belonging to any of the claimants herein. Instead, Forrest misrepresented the safety and security of an investment in Apex. Therefore, the Elder Abuse claims pleaded in the Statement of Claim fail as a matter of law.

4. PUNITIVE DAMAGES

Claimants' statement of claim seeks an award of punitive damages against the respondents, and each of them. While the evidence may well have been sufficient to warrant an award of punitive damages, Claimants failed to put on any evidence of the wealth of either respondent. Because punitive damages may not be awarded without proof of the defendant's wealth, *Adams v. Murkami* (1991) 54 Cal.3d 105, 119 (defendant's financial condition is an essential element of a claim for punitive damages), Claimants request for punitive damages is denied.

5. INTEREST

Claimants ask this panel to award them interest on their claimed damages under Civil Code § 3288. An award of interest in an action not based on contract is discretionary with the trier of fact. Cal. Civ. Code. § 3288. The panel exercises its discretion not to award Claimants interest on their losses. The reason for this, in part, is that virtually every one of the claimants was a wealthy and sophisticated investor looking to achieve better than average returns on his/her investment(s). Had these individuals invested, for example, in a relatively conservative portfolio or even a major index fund, they would have lost 30% or more of their investment in light of what has occurred in the financial markets over the past year. It would be an odd case indeed where the Claimants could earn 7% interest on their investment(s) because they successfully prosecuted this legal action when those same investments would have likely lost substantial value, and would certainly have not returned 7%.

AWARD

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

1. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants John and Marie Brezden, individually and as Trustees of the Brezden Family Trust, compensatory damages in the amount of \$254,000.00.
2. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Clayton R. and Kathy Beck compensatory damages in the amount of \$558,000.00.
3. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Darcy and Jonathan Fulkerson compensatory damages in the amount of \$131,008.00.
4. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Debbie Beverly and Alan Beverly, individually and as Trustees of the Alan and Deborah Beverly Family Trust compensatory damages in the amount of \$4,488,463.00.
5. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Kevin Howard compensatory damages in the amount of \$204,500.00.
6. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Mark Gruidl, individually and as Trustee of the Mark Gruidl Trust, compensatory damages in the amount of \$306,125.00.
7. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Angela and Mark Soll, individually and as Trustees of the Soll Trust, compensatory damages in the amount of \$201,500.00.
8. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Mark Soll, as Trustee of the Soll Trust, Trustee of the Central Coast Chest Consultants Trust Profit Sharing Plan-Mark Soll and as Trustee of the Central Coast Chest Consultants-Profit Sharing Plan, compensatory damages in the amount of \$200,000.00.
9. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant William Sima, individually and as Trustee of the William and Dawn Sima Trust, compensatory damages in the amount of \$300,000.00.

10. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant William Sima, M.D. 401(k) Profit Sharing Plan compensatory damages in the amount of \$56,000.00.
 11. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Gail Stoneburg, individually and as beneficiary of the Charles Stoneburg Estate, compensatory damages in the amount of \$100,000.00.
 12. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Mark R. Baker, individually and as Trustee of The Baker Family Trust, compensatory damages in the amount of \$250,000.00.
 13. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant William Russell compensatory damages in the amount of \$176,000.00.
 14. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Radiology Associates of San Luis Obispo fbo William Russell Profit Sharing plan compensatory damages in the amount of \$103,000.00.
 15. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Rena Stathacopoulos, individually and on behalf of the San Luis Obispo Eye Profit, compensatory damages in the amount of \$170,000.00.
 16. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Carole Renfro, individually and as Trustee of the Charles and Carole Renfro Trust, compensatory damages in the amount of \$250,000.00.
 17. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Audrey Schaefer, individually and as Trustee of the Schaefer Family Trust, compensatory damages in the amount of \$278,000.00.
 18. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Michael and Stephanie Schafer compensatory damages in the amount of \$283,000.00.
 19. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimant Linda Gaffney compensatory damages in the amount of \$199,000.00.
 20. Respondents Associated Securities Corp. and Jeffrey A. Forrest are jointly and severally liable to and shall pay Claimants Jeff and Tammy Bourne, individually and
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as Trustees of the Jeff and Tammy Bourne Family Trust, compensatory damages in the amount of \$350,000.00.

21. Any and all relief not specifically addressed herein, including punitive damages, is denied.

22. The parties shall pay their respective costs, including attorneys' fees.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Dispute Resolution assessed a filing fee* for each claim:

Initial claim filing fee = \$ 1,800.00

** The filing fee is made up of a non-refundable and a refundable portion.*

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated persons at the time of the events giving rise to the dispute. Accordingly, Associated Securities, Corp. is a party and the following fees are assessed:

Member surcharge	= \$ 3,350.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 5,500.00

Hearing Session Fees and Assessments

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

One (1) Pre-hearing session with Panel @ \$1,200.00/session	= \$ 1,200.00
Pre-hearing conference: April 2, 2008 1 session	

Twenty-one (21) Hearing sessions @ \$1,200.00/session	= \$25,200.00
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Hearing Dates:	February 2, 2009	1 session
	February 3, 2009	2 sessions
	February 4, 2009	2 sessions
	February 5, 2009	2 sessions
	February 6, 2009	2 sessions
	February 9, 2009	2 sessions
	February 10, 2009	2 sessions
	February 11, 2009	2 sessions

February 12, 2009 2 sessions
February 13, 2009 1 session
February 16, 2009 1 session
February 17, 2009 2 sessions

Total Hearing Session Fees = \$26,400.00

The Panel has assessed \$26,400.00 of the hearing session fees jointly and severally to Respondents Associated Securities, Corp. and Jeffrey A. Forrest.

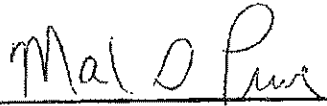
All balances are payable to FINRA Dispute Resolution and are due upon receipt.

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 21 of 21

ARBITRATION PANEL

Mark Priver	-	Public, Presiding Chairperson
Robert Ruben	-	Public Arbitrator
Kenneth Miller	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



Mark Priver
Public Arbitrator, Presiding Chairperson



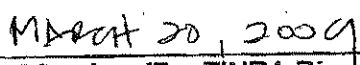
Signature Date

Robert Ruben
Public Arbitrator

Signature Date

Kenneth Miller
Non-Public Arbitrator

Signature Date



Date of Service (For FINRA Dispute Resolution use only)

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 21 of 21


ARBITRATION PANEL

Mark Priver	-	Public, Presiding Chairperson
Robert Ruben	-	Public Arbitrator
Kenneth Miller	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Mark Priver
Public Arbitrator, Presiding Chairperson

Signature Date



Robert Ruben
Public Arbitrator

3-19-09

Signature Date

Kenneth Miller
Non-Public Arbitrator

Signature Date

March 20, 2009

Date of Service (For FINRA Dispute Resolution use only)

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 21 of 21

ARBITRATION PANEL

Mark Priver	-	Public, Presiding Chairperson
Robert Ruben	-	Public Arbitrator
Kenneth Miller	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Mark Priver
Public Arbitrator, Presiding Chairperson

Signature Date

Robert Ruben
Public Arbitrator

Signature Date



Kenneth Miller
Non-Public Arbitrator

3/20/09

Signature Date

March 20, 2009

Date of Service (For FINRA Dispute Resolution use only)

FINRA Dispute Resolution
Arbitration No. 07-03054
Award Page 21 of 21

ARBITRATION PANEL

Mark Priver	-	Public, Presiding Chairperson
Robert Ruben	-	Public Arbitrator
Kenneth Miller	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Mark Priver
Public Arbitrator, Presiding Chairperson

Signature Date

Robert Ruben
Public Arbitrator

Signature Date

Kenneth Miller
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA Dispute Resolution use only)