

Award
FINRA Dispute Resolution Services

In the Matter of the Arbitration Between:

Claimant
Abraham Seidman Irrevocable Trust

Case Number: 20-03299

vs.

Respondents
J.P. Morgan Securities, LLC,
Guergana Karaalanova, and
Kevin Hitz

Hearing Site: Chicago, Illinois

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

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

This case was decided by a majority-public panel.

REPRESENTATION OF PARTIES

For Claimant Abraham Seidman Irrevocable Trust (“Claimant”): Renan Sugarman, Esq., Renan Sugarman, PC, Lincolnwood, Illinois.*

For Respondents J.P. Morgan Securities, LLC (“JPMS”) and Guergana Karaalanova (“Karaalanova”), hereinafter, collectively referred to as “Respondents”: Heidi E. VonderHeide, Esq., Ulmer Attorneys, Chicago, Illinois.

Respondent Kevin Hitz (“Hitz”) appeared pro se.

*FINRA recorded the appearance of Claimant’s counsel at the time of filing of the Statement of Claim. Counsel’s representation of Claimant may have ended with the parties’ settlement. Please see the Other Issues Considered and Decided section of this Award for information on whether Claimant’s counsel appeared at the expungement hearing.

CASE INFORMATION

Statement of Claim filed on or about: September 21, 2020.
Claimant signed the Submission Agreement: September 17, 2020.

Statement of Answer filed by Respondents on or about: November 9, 2020.
JPMS signed the Submission Agreement: October 21, 2020.
Karaalanova signed the Submission Agreement: November 4, 2020.

Statement of Answer filed by Hitz on or about: November 12, 2020.
Hitz did not sign the Submission Agreement.

CASE SUMMARY

In the Statement of Claim, Claimant asserted the following causes of action: misrepresentations and omissions, negligent hiring and retention, failure to supervise, breach of fiduciary duty, fraud, constructive fraud, respondeat superior, negligence and negligent supervision, breach of contract, and violations of the Illinois Securities Act of 1953 and FINRA Conduct Rules. The causes of action related to tax obligations resulting from the sale of Bank of New York stock from Claimant's unmanaged account which Claimant asserted could have been avoided if account assets were liquidated from Claimant's managed account.

Unless specifically admitted in the Statement of Answer, Respondents denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

Unless specifically admitted in the Statement of Answer, Hitz denied the allegations made in the Statement of Claim.

RELIEF REQUESTED

In the Statement of Claim, Claimant requested actual damages in the amount of \$75,000.00; attorneys' fees and costs of arbitration, including but not limited to expert witness fees, expenses and accounting fees as specifically authorized under the Illinois Securities Law of 1933 (815 ILCS 5/13-A-2); and punitive damages in the amount of \$26,000.00.

In the Statement of Answer, Respondents requested that all claims asserted against them be dismissed with prejudice and an award be rendered in Respondents' favor; that all FINRA fees be assessed to Claimant; and that Respondents be awarded any other relief that the Panel deems just and proper.

In the Statement of Answer, Hitz did not request relief.

Karaalanova filed a request for expungement of all references to this matter from Central Registration Depository ("CRD") registration records. Please see the Other Issues Considered and Decided section of this Award for more information.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

Hitz did not file a properly executed Submission Agreement but is required to submit to arbitration pursuant to the Code of Arbitration Procedure ("Code") and, having answered the claim, is bound by the determination of the Panel on all issues submitted.

On November 16, 2021, Claimant filed a notice of settlement. Therefore, the Panel made no determination with respect to any of the relief requests contained in the Statement of Claim. On the same date, Claimant advised that it took no position regarding pursuit of expungement.

On December 1, 2021, Karaalanova filed a Motion for Expungement, to which no response was filed.

The Panel conducted a recorded, telephonic hearing on January 28, 2022, so the parties could present oral argument and evidence on Karaalanova's request for expungement.

Neither Claimant nor Claimant's counsel participated in the expungement hearing. Hitz also did not participate in the expungement hearing.

The Panel reviewed Karaalanova's BrokerCheck® Report. The Panel noted that a prior arbitration panel or court has not previously ruled on expungement of the same occurrence in the CRD.

The Panel also reviewed the settlement documentation, considered the amount of payment made to any party to the settlement, and considered other relevant terms and conditions of the settlement. The Panel noted that the settlement was not conditioned on any party to the settlement not opposing the request for expungement and that Karaalanova did not contribute to the settlement amount.

In recommending expungement, the Panel relied upon the following documentary or other evidence: phone records and notes of Karaalanova's dealings with Claimant which were recorded at the time of the two transactions in question.

The Award in this matter may be executed in counterpart copies.

AWARD

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

1. The Panel recommends the expungement of all references to the above-captioned arbitration (Occurrence Number 2065586) from registration records maintained by the CRD for Respondent Guergana Antonova Karaalanova (CRD Number 5653202) with the understanding that, pursuant to Notice to Members 04-16, Respondent Guergana Antonova Karaalanova must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 12805 of the Code, the Panel has made the following Rule 2080 affirmative findings of fact:

The claim, allegation, or information is factually impossible or clearly erroneous; and

The claim, allegation, or information is false.

The Panel has made the above Rule 2080 findings based on the following reasons:

Claimant alleged that the sell orders were unsuitable and resulted in surprising tax liability. Actually, because the trustee needed money immediately, all Karaalanova did was to say of Claimant's two accounts, the trustee would get the trust's money more quickly if the unmanaged account was used. Karaalanova offered no advice on taxes or what securities to sell since she had no such authority.

2. Any and all claims for relief not specifically addressed herein, including any requests for punitive damages, treble damages, and attorneys' fees, are denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

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|--------------------------|---------------|
| Initial Claim Filing Fee | = \$ 1,425.00 |
| Expungement Filing Fee | = \$ 1,575.00 |

*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(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as a party, JPMS is assessed the following:

| | |
|--------------------|---------------|
| Member Surcharge | = \$ 1,700.00 |
| Member Process Fee | = \$ 3,750.00 |

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 Arbitrator(s), including a pre-hearing conference with the Arbitrator(s), which lasts four (4) hours or less. Fees associated with these proceedings are:

| | |
|---|----------------------|
| One (1) pre-hearing session with the Panel @ \$1,125.00/session | = \$ 1,125.00 |
| Pre-Hearing Conference: January 13, 2021 1 session | |
| One (1) hearing session on expungement request @ \$1,125.00/session | = \$ 1,125.00 |
| Hearing: January 28, 2022 1 session | |
| Total Hearing Session Fees | = \$ 2,250.00 |

The Panel has assessed \$562.50 of the hearing session fees to Claimant.

The Panel has assessed \$562.50 of the hearing session fees, jointly and severally, to Respondents and Hitz.

The Panel has assessed \$1,125.00 of the hearing session fees to Karaalanova.

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

ARBITRATION PANEL

| | | |
|--------------------|---|--|
| Ray J. Grzebielski | - | Public Arbitrator, Presiding Chairperson |
| Flora Fell | - | Public Arbitrator |
| Scott Miller | - | Non-Public Arbitrator |

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Concurring Arbitrators' Signatures

Ray J. Grzebielski

Ray J. Grzebielski
Public Arbitrator, Presiding Chairperson

02/03/2022

Signature Date

Flora Fell

Flora Fell
Public Arbitrator

02/03/2022

Signature Date

Scott Miller

Scott Miller
Non-Public Arbitrator

02/02/2022

Signature Date

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February 03, 2022

Date of Service (For FINRA Dispute Resolution Services use only)