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FINANCIAL INDUSTRY REGULATORY AUTHORITY

ARBITRATION PROCEEDING

MOUAYAD SHAMMAMI,
Plaintiff,

v.

FINRA CASE NO.:08-01510

BROAD STREET SECURITIES, INC.
MARY MADA, *Deceased*, ALFRED ALLOS,
And STUART BURCHARD,

Defendants.

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AFFIDAVIT OF JOHN NORDBECK

WITNESSETH, the following statements are true and correct to the best of my knowledge and recollection:

1. I am over the age of eighteen (18) years and competent to provide this affidavit.
2. I have given an expert opinion in this matter and my qualifications are set forth in my curriculum vitae.
3. I stand by my damages calculations in my May 2009 opinion and the conclusion that churning of the account had occurred.
4. In forming my opinion I reviewed years of trading activity as discussed in my report, account statements, and personally met with Mr. Shammami prior to reaching my opinion.

AFFIANT FURTHER SAYETH NOT.

Date: 2/25/2011

John Nordbeck

In the case of Mike Shammami it is my professional opinion that churning has occurred in this case. I have reached this conclusion by studying the trading patterns in this account. On numerous occasions, the advisor opened and closed a position in one day with a buy and sell on the same day, only to have the exact same position reestablished the next day and sold again the next day. This is not in the clients best interest, since the client is being charged a commission to start the trade, then a commission to sell the position, only to be charged an additional commission the next day to reestablish the same position and subsequently the position is closed out that same day.

In determining if excessive trading has taken place a measurement of trading activity to account equity is an important part of determining if excess trading has occurred. This can be done by examining a couple of different ratios: The annualized Turnover Ratio and the Commission to Equity ratio. The first step is to examine the Annualized Turnover ratio:

Annualized Turnover Ratio =
(Total Purchases/Average Equity) x (Number of Months Traded /12)

If the account for Mike Shammami is examined using this ratio his total purchases are $6,755,053. His average equity in the account is $26,600.29 for the 12 months of June 2005 to May of 2006. This is his average equity position after taking into account the advisor had told Mr. Shammami to use margin to further his gains. This ratio is extremely large at 253.9466.

The next step is to examine the Commission to Equity Ratio which consists of the total commissions charged as it relates to the average equity of the clients account over a period of time.

Commission / Average Equity Ratio

The commission the client was charged are $7802.23 and his average equity during this time was $26,600.29. The clients commission to Equity ratio is 0.293314. This is an extremely large number. Since in my experience any number over 2% for an advisor's book of business tended to make managers nervous that their Financial Consultants were trading excessively in their clients accounts. This is not to say that one client would not be above 2%, but when this number is starting to almost reach 30% that is out of line an considered excessive.

In addition another step to examine is the Total Cost / Average Equity ratio. This takes into account the margin interest income in the above equation. This can also be examined in this case.

Total Cost / Average Equity Ratio

The total cost the client was charged during this time was $10,683.09 so the client paid $2880.80 in margin interest. If this number is calculated the clients ratio jumps to 0.401613 or 40% of his total equity went to commissions and margin interest during these 12 months.

In my examination of both accounts for Mr. Shammami his total losses of $76530.22 and the other account with losses of $132,222.38 should be return to him. The total sum of all the losses in these two accounts amounts to **$208,572.60** and should be returned to the client.