

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

J. Kenneth Hickman and Irene Hickman, (Claimants) vs. Gilford Securities, Inc. and Ernest A. Charous, (Respondents)

Case Number: 00-00732

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimants, J. Kenneth Hickman and Irene Hickman, hereinafter collectively referred to as "Claimants": Steven B. Caruso, Esq., Maddox Koeller Hargett & Caruso, New York, NY.

Respondents, Gilford Securities, Inc. ("Gilford") and Ernest A. Charous ("Charous"), hereinafter collectively referred to as "Respondents": Norman S. Lawi, Esq., General Counsel, Gilford Securities, Inc., New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: February 18, 2000.

Opposition to the Motion to Dismiss filed by Claimants on or about: June 12, 2000.

Claimants signed the Uniform Submission Agreement: February 11, 2000.

Statement of Answer and Motion to Dismiss filed by Respondents on or about: May 9, 2000.

Gilford signed the Uniform Submission Agreement: May 19, 2000.

Charous signed the Uniform Submission Agreement: May 23, 2000.

CASE SUMMARY

Claimants asserted the following causes of action: misrepresentations and omissions; failure to perform due diligence; disregard of internal policies and procedures; failure to diversify Claimants' portfolio; violation of the Securities Exchange Act of 1934; violation of New Jersey and New York common law; fraud; negligence; breach of contract; breach of fiduciary duty; respondeat superior; violation of NASD Conduct Rules; violation of the New Jersey Uniform Securities Act; and violation of the New Jersey Unfair Trade and Consumer Protection Act. Claimants' claim involved the securities of Gull Laboratories, Inc., as well as a variety of other securities.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Claimants' claims are barred by the statute of limitations; Claimants' claims are barred under the general theory of contract law whereby confirmations and monthly statements were issued on a regular basis; Claimants'

claims are barred under the theories of primary and contributory negligence; Claimants' claims are barred by the doctrines of waiver and consent, estoppel, and unclean hands; Claimants' claims are barred under the theories of acceptance, waiver, and ratification whereby confirmations and monthly statements were issued on a regular basis; Claimants failed to mitigate their damages; Claimants had ample opportunities to profit substantially from their investments without incurring any losses, such alleged damages having been expressly and directly assumed by Claimants; and any and all alleged losses were attributable to general market conditions and/or specific issuer/company conditions.

RELIEF REQUESTED

Claimants requested compensatory damages in the amount of \$117,059.00; all costs and reasonable attorneys' fees; treble damages; punitive damages; lost interest and/or lost appreciation potential; and such other and further relief as may be deemed just, proper, and equitable.

Respondents requested that their Motion to Dismiss be granted, and that they be awarded costs, expenses, and such other relief as the Panel deems just and proper.

OTHER ISSUES CONSIDERED AND DECIDED

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.

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 be and hereby are jointly and severally liable for and shall pay to Claimants the sum of \$53,777.00 in compensatory damages plus interest at the rate of 9% per annum from February 17, 2000 until the award is paid.
2. Respondent Gilford be and hereby is liable for and shall pay to Claimant punitive damages in the amount of \$10,000.00.

The authority for awarding punitive damages is based upon the following case law: Matrubuono v. Shearson Lehman Hutton, Inc., 514 U.S. 52 (1995); Sanders v. Gardner, 7 F. Supp. 2d 151 (E.D.N.Y. 1998); Mulder v. Donaldson, Lufkin & Jenrette, 224 A.D. 2d 125 (1st Dept 1996); Americorp. Securities, Inc. v. Sager, 239 A.D. 2d 115 (1st Dept 1997), appeal denied, 90 N.Y. 2d 808 (1997).

3. Respondent Gilford be and hereby is liable for and shall pay to Claimants the

amount of \$300.00 to reimburse Claimants for the filing fee previously paid to NASD Dispute Resolution, Inc.

4. All other requests for relief are hereby denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee = \$ 300.00

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 person at the time of the events giving rise to the dispute. In this matter, Gilford Securities, Inc. is a party.

Member surcharge = \$1,500.00

Pre-hearing process fee = \$ 600.00

Hearing process fee = \$2,500.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing 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 x \$1,125.00 = \$1,125.00

Pre-hearing conference: September 14, 2000 1 session

Six (6) Hearing sessions x \$1,125.00 = \$6,750.00

Hearing Dates: January 17, 2001 2 sessions

January 18, 2001 2 sessions

January 19, 2001 2 sessions

Total Forum Fees = \$7,875.00

1. The Panel has assessed \$7,875.00 of the forum fees against Respondent Gilford.

Fee Summary

1. Claimants be and hereby are jointly and severally liable for:

Initial Filing Fee = \$ 300.00

<u>Total Fees</u>	= \$ 300.00
<u>Less payments</u>	= \$1,425.00
Refund Due to Claimants	= \$1,125.00

2. Gilford be and hereby is solely liable for:

Member Fees	= \$ 4,600.00
Forum Fees	= \$ 7,875.00
Total Fees	= \$12,475.00
<u>Less payments</u>	= \$ 4,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 7,875.00

All balances are due and payable to NASD Dispute Resolution, Inc.

Concurring Arbitrators' Signatures

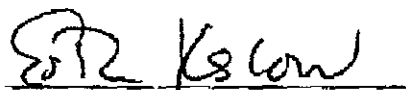
I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.

Krishnan S. Chittur, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Henry Tiffany
Public Arbitrator

Signature Date


Esther Koslow, Esq.
Industry Arbitrator

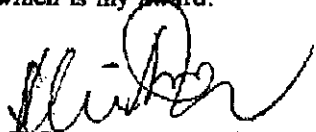
4-30-2001
Signature Date

May 7, 2001
Date of Service (For NASD office use only)

Esther Koslow, Esq.

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.



Krishnan S. Chittur, Esq.
Public Arbitrator, Presiding Chair

4/30/01
Signature Date

Henry Tiffany
Public Arbitrator

Signature Date

Esther Koslow, Esq.
Industry Arbitrator

Signature Date

May 7, 2001
Date of Service (For NASD office use only)