

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Shahid Kamal and Zeenat S. Kamal, (Claimant) vs. Salomon Smith Barney, Inc., Gruntal & Co., Inc., and Michael M. Friedman, (Respondents)

Case Number: 00-04791

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimants, Shahid Kamal ("S. Kamal") and Zeenat S. Kamal ("Z. Kamal"), hereinafter collectively referred to as "Claimants": Kevin P. Claffey, Esq., Claffey & Mastrogiacomo, P.C., New York, NY.

Respondent, Salomon Smith Barney, Inc. ("SSB"): William A. Hohauser, Esq., Associate General Counsel, Salomon Smith Barney, Inc., New York, NY.

Respondent, Gruntal & Co., Inc. ("Gruntal"), did not appear at the hearing in this matter. Previously represented by: Donald N. Cohen, Esq., Vice President and Director of Litigation, Gruntal & Co., Inc., New York, NY.

Respondent, Michael M. Friedman ("Friedman"): Joseph F. Keenan, Esq., McCarliss & Early, New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: October 26, 2000.

S. Kamal signed the Uniform Submission Agreement: October 26, 2000.

Z. Kamal signed the Uniform Submission Agreement: October 26, 2000.

Statement of Answer filed by SSB on or about: January 26, 2001.

SSB signed the Uniform Submission Agreement: January 26, 2001.

Statement of Answer and Motion to Dismiss filed by Gruntal on or about: January 25, 2001.

Gruntal signed the Uniform Submission Agreement: January 25, 2001.

Statement of Answer filed by Friedman on or about: January 25, 2001.

Friedman signed the Uniform Submission Agreement: January 7, 2001.

CASE SUMMARY

Claimants asserted the following causes of action: violations of the Securities Exchange Act of 1934; violations of Securities and Exchange Commission Rule 10b-5; breach of fiduciary duty; negligence; negligent supervision; failure to supervise; churning; manipulation; suitability; breach of contract; misrepresentation; and common law fraud. Claimant's claim involved unspecified financial products.

Unless specifically admitted in its Answer, SSB denied the allegations made in the Statement of Claim and asserted the following defenses: Claimants were repeatedly warned by SSB's branch compliance supervisor about the attendant risks of their trading strategy, and yet Claimants determined to maintain their course of trading; at no time did Claimants make any complaint to SSB about the trading in their account, despite repeated contacts from the branch compliance supervisor; the type of trading done in Claimants' account was consistent with their stated investment objectives; Claimants have not sustained any losses for which compensation is appropriate, and accordingly seek a windfall; and Claimants willingly embraced, not just assumed, the risks of aggressive speculation in the hope of obtaining massive returns.

Unless specifically admitted in his Answer, Friedman denied the allegations made in the Statement of Claim and asserted the following defenses: the Statement of Claim, and each claim stated therein, fails to state a claim upon which relief can be granted; Claimants' alleged claims are barred by their ratification of any and all transactions in their account, and by their failure to notify Respondents of any objections to the acts and omissions of which Claimants now complain, promptly after receipt of written confirmations, account statements, or other documents evidencing or setting forth transactions in Claimants' accounts; Claimants' alleged claims are barred under the doctrines of waiver, estoppel, and laches; any damages suffered by Claimants were proximately caused not by Friedman, but by intervening and supervening acts and events; Claimants have failed to mitigate their alleged damages; any losses suffered by Claimants were the result of economic and market conditions with respect to which Claimants assumed all risk of loss; by failing to exercise the degree of care over their affairs and investments which ordinarily prudent investors would exercise, Claimants caused or contributed to cause their alleged damages; Claimants' claims are barred by their own contributory or comparative negligence, and in any case, such negligence must be considered in determining the amount of damages, if any; and the alleged breach of fiduciary duty claim must fail because of the absence of any proof that Friedman possessed any fiduciary duties to Claimants.

RELIEF REQUESTED

Claimants requested:

- a. Return of the commissions generated by churning Claimants' account and for breach of contract, failure to supervise, breach of fiduciary duty, misrepresentation, and negligence, in the amount of \$266,220.80;
- b. Punitive damages to punish Respondents' wrongdoing in the sum of \$150,000.00; and
- c. Attorneys' fees, costs of arbitration, and any further relief that may be just and proper.

SSB requested that the Statement of Claim be dismissed in its entirety, and that SSB be awarded its costs.

Friedman requested that the Panel dismiss all claims against him, assess all costs and fees against Claimants, and grant such other relief as the Panel deems appropriate.

OTHER ISSUES CONSIDERED AND DECIDED

By letter dated February 1, 2001, Claimants advised NASD Dispute Resolution, Inc. that they were withdrawing their claims against Gruntal.

On April 24, 2002, Friedman filed a Motion to Dismiss. By letter dated April 24, 2002, SSB joined in Friedman's Motion to Dismiss. Claimant filed a Response to said Motion on May 1, 2002. The Panel denied the Motion to Dismiss.

During the hearing in this matter, Respondents made a Motion for a Directed Verdict. After due consideration, the Panel granted said Motion.

During the hearing in this matter, Friedman requested that this arbitration be expunged from his registration records maintained by the NASD Central Registration Depository. The Panel granted Friedman's expungement request.

In accordance with Rule 10313 of the NASD Code of Arbitration Procedure, this matter was heard by a Panel of two arbitrators. All parties agreed to proceed with a Panel of two arbitrators following the withdrawal of arbitrator Robert H. Phillips, CPA.

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, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Claimants' claims are hereby dismissed in their entirety.
2. The Panel recommends the expungement of all reference to the above-captioned arbitration from Respondent Friedman's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondent Friedman must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
3. 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
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Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated person at the time of the events giving rise to the dispute. In this matter, Salomon Smith Barney, Inc. and Gruntal & Co., Inc. are parties.

Salomon Smith Barney, Inc.

Member surcharge	= \$1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$2,500.00

Gruntal & Co., Inc.

Member surcharge	= \$1,500.00
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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 7, 2001 1 session	
Three (3) Hearing sessions x \$1,125.00	= \$3,375.00
Hearing Date: May 7, 2002 3 sessions	
Total Forum Fees	= \$4,500.00

The Panel has assessed all of the forum fees against Claimant.

Fee Summary

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

Initial Filing Fee	= \$ 300.00
Forum Fees	= \$4,500.00
Total Fees	= \$4,800.00
Less payments	= \$1,800.00
Balance Due NASD Dispute Resolution, Inc.	= \$3,000.00

2. SSB be and hereby is solely liable for:

Member Fees	= \$4,600.00
Total Fees	= \$4,600.00
Less payments	= \$4,600.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

3. Gruntal be and hereby is solely liable for:

Member Fees	= \$1,500.00
Total Fees	= \$1,500.00
Less payments	= \$1,500.00
Balance Due NASD Dispute Resolution, Inc.	= \$ 0.00

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

ARBITRATION PANEL

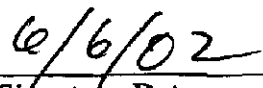
Larry Kars, Esq.	-	Public Arbitrator, Presiding Chair
Chris P. Drucker	-	Industry Arbitrator

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.



Larry Kars, Esq.
Public Arbitrator, Presiding Chair



Signature Date

Chris P. Drucker
Industry Arbitrator

Signature Date

June 18, 2002
Date of Service (For NASD office use only)

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ARBITRATION PANEL

Larry Kars, Esq.	-	Public Arbitrator, Presiding Chair
Chris P. Drucker	-	Industry Arbitrator

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Larry Kars, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Chris P. Drucker

Chris P. Drucker
Industry Arbitrator

6-17-02
Signature Date

June 18, 2002
Date of Service (For NASD office use only)