

Award NASD

In the Matter of the Arbitration Between:

Name of the Claimant

Jeffrey Passalino

Case Number: 01-00714

Name of the Respondents

Protective Group Securities Corporation, Steven Grau, and Stephen Molinari

Hearing Site: Chicago, Illinois

REPRESENTATION OF PARTIES

Claimant, Jeffrey Passalino ("Passalino"): John A. Dienner, Esq. of the firm Kubasiak, Fylstra, Reizen & Rotunno located in Chicago, Illinois.

Respondents Protective Group Securities Corporation ("Protective Group") and Steven Grau ("Grau") were not represented by legal counsel.

Until July 10, 2002, Respondent Stephen Molinari ("Molinari") was represented by Jan Atlas, Esq. of the firm Adorno & Yoss located in Fort Lauderdale, Florida. Respondent Molinari was not represented thereafter.

CASE INFORMATION

Statement of Claim filed on or about: February 12, 2001

Amended Statement of Claim filed on or about: December 04, 2001

Claimant, Passalino, signed the Uniform Submission Agreement: February 08, 2001

Statement of Answer filed by Respondent Molinari on or about: May 29, 2001

Respondents Protective Group and Grau did not file Uniform Submission Agreements nor Statements of Answer.

CASE SUMMARY

Claimants Passalino asserted the following causes of action: Violation of Section 10(b), Rule 10b-5 of the Securities Exchange Act; Violation of the Illinois Consumer Fraud and Deceptive Practices Act; Common Law Fraud; Negligent Supervision; and Common Law Negligence.

The causes of action relate to the National Boston (NBM) stock, the purchase of an unidentified IPO, other unnamed penny stocks, and undelivered stock in a company named Premier Enterprises Holdings (PEH).

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Unless specifically admitted in his Answer, Respondent Molinari denied the allegations made in the Statement of Claim and asserted the following defenses: Losses due to Market Conditions; Assumption of Risk; Authorization; Waiver; Ratification; Failure to State a Claim; Actions in Accordance and Compliance with Applicable Brokerage Industry Standards; Good Faith; and Due Care.

RELIEF REQUESTED

Claimant Passalino requested:

Compensatory Damages	\$ 905,947.90
Punitive Damages	\$1,000,000.00
Attorney's Fees	reasonable
Other Costs	not specified
Other Monetary/Non-Monetary Relief if any:	as panel deems appropriate

Respondent Molinari requested:

Other Monetary/Non-Monetary Relief if any:	dismissal of claims
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OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators the "Panel" determined that Respondent Steven Grau, Stephen Molinari, and Protective Group Securities Corporation have been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondents present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondent Steven Grau, Stephen Molinari, and Protective Group Securities Corporation did not file with NASD a properly executed submission to arbitration but are required to submit to arbitration pursuant to the Code and, having answered the claim, appeared and testified at the hearing, and are bound by the determination of the Panel on all issues submitted.

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. The panel unanimously finds that Steven Grau and Stephen Molinari committed actual and intentional fraud with respect to Claimant Jeffrey Passalino.
2. Respondents Protective Group Securities Corporation, Steven Grau and Stephen Molinari are jointly and severally liable for and shall pay to Claimant Jeffrey Passalino the sum of

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\$312,620.03 as compensatory damages.

3. Respondents Protective Group Securities Corporation, Steven Grau and Stephen Molinari are jointly and severally liable for and shall pay to Claimant Jeffrey Passalino 5% per annum on the compensatory damages. Interest to accrue between January 01, 2000 until the award is paid or converted to a judgment.
4. Respondents Protective Group Securities Corporation, Steven Grau and Stephen Molinari are jointly and severally liable for and shall pay to Claimant Jeffrey Passalino \$195,000.00 as punitive damages. The panel finds authority to award punitive damages under the Illinois Consumer Fraud and Deceptive Practices Act.
5. Any and all relief not specifically addressed herein is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$500.00

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. Protective Group Securities Corporation is a party.

Member surcharge	= \$ 2,500.00
Pre-hearing process fee	= \$ 600.00
<u>Hearing process fee</u>	<u>= \$ 4,500.00</u>
Total	= \$ 7,600.00

Forum Fees and Assessments

The Panel has assessed forum 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:

Two (2) Pre-hearing session(s) with Panel at \$1,200.00 = \$2,400.00

Pre-hearing conferences:	November 12, 2001	1 session
	December 12, 2001	1 session

One (1) Hearing sessions at \$1,200.00 = \$1,200.00

<u>Hearing Dates:</u>	<u>July 11, 2002</u>	<u>1 session</u>
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Total Forum Fees = \$3,600.00

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1. The Panel has assessed \$1,200.00 of the forum fees to Steven Grau.
2. The Panel has assessed \$1,200.00 of the forum fees to Stephen Molinari.
3. The Panel has assessed \$1,200.00 of the forum fees to Protective Group Securities Corporation.

FEE SUMMARY

1. Claimant, Jeffrey Passalino, is solely liable for:

<u>Initial Filing Fee</u>	= \$ 500.00
Total Fees	= \$ 500.00
<u>Less payments</u>	= \$1,700.00
Refund Due from NASD	= \$1,200.00

2. Respondent Protective Group Securities Corporation is solely liable for:

Member Fees	= \$ 7,600.00
<u>Forum Fees</u>	= \$ 1,200.00
Total Fees	= \$ 8,800.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD	= \$ 8,800.00

3. Respondent Steven Grau is solely liable for:

<u>Forum Fees</u>	= \$ 1,200.00
Total Fees	= \$ 1,200.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD	= \$ 1,200.00

4. Respondent Stephen Molinari is solely liable for:

<u>Forum Fees</u>	= \$ 1,200.00
Total Fees	= \$ 1,200.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD	= \$ 1,200.00

All balances are payable to NASD and are due upon receipt pursuant to Rule 10330(g) of the Code.

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ARBITRATION PANEL

Barry E. Simon, Esq.	-	Public Arbitrator, Presiding Chairperson
James McGurk, Esq.	-	Public Arbitrator
Marian M. Head	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/ Barry E. Simon

08/13/02

Barry E. Simon, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

/s/ James McGurk

08/12/02

James McGurk, Esq.
Public Arbitrator

Signature Date

/s/ M. Margaret Head

08/15/02

Marian M. Head
Non-Public Arbitrator

Signature Date

08/15/02

Date of Service (For NASD Dispute Resolution office use only)

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