

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

Name of Claimant

John A. Vani & Catherine A. Vani, Trust

and

01-01191  
Chicago, Illinois

Name of Respondents

Gruntal & Co., L.L.C.  
James H. Cox, III  
Jodi A. Reed  
Henry D. Gottmann  
Robert P. Rittereiser

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

**REPRESENTATION OF PARTIES**

John A. Vani & Catherine A. Vani, Trust ("Vani") was represented by John J. Miller, Esq., Kansas City, Missouri.

Gruntal & Co., L.L.C. ("Gruntal") and Jodi A. Reed ("Reed") were represented by Donald Cohen, Esq., Gruntal & Co., L.L.C., New York, New York. Subsequent to the Gruntal bankruptcy filing, Respondent Reed was represented by Marshall L. Blankenship, Esq., Adducci, Dorf, Lehner, Mitchell & Blankenship, P.C., Chicago, Illinois.

James H. Cox, III ("Cox") was represented by Patrick M. Hincks, Esq., Sullivan, Hincks & Conway, Oakbrook, Illinois.

Henry D. Gottmann ("Gottmann") and Robert P. Rittereiser ("Rittereiser") were represented by Holly J. Sutton, Esq., Greenberg Traurig, LLP, New York, New York.

**CASE INFORMATION**

The Statement of Claim was filed on or about: March 9, 2001. Motion to Strike and Request For Sanctions Against Respondents Gruntal & Company and Jodi A. Reed was filed on or about: June 10, 2002. Memo of Law Concerning Respondent Cox's Answer was filed on or about: June 10, 2002. Response to the Motion to Dismiss submitted by Henry D. Gottmann and Robert P. Rittereiser

was filed on or about: July 24, 2003. The Uniform Submission Agreement signed by Margaret K. Lorenz, Successor Trustee, was not dated.

Statement of Answer and Motions to Dismiss filed by Respondents, Gruntal & Co., L.L.C. and Jodi A. Reed, on or about: May 29, 2001. Respondent, Gruntal & Co., L.L.C., signed the Uniform Submission Agreement: May 21, 2001. Respondent, Jodi A. Reed, signed the Uniform Submission Agreement: May 21, 2001.

Statement of Answer was filed by Respondent, James H. Cox, III, on or about: June 8, 2001. Respondent, James H. Cox, III, signed the Uniform Submission Agreement: June 1, 2001.

Statement of Answer and Motion to Dismiss was filed by Respondents, Henry D. Gottmann and Robert P. Rittereiser, on or about: August 1, 2003.

### **CASE SUMMARY**

Claimant asserted the following causes of action: Violation of the Illinois Securities Law; fraud and misrepresentation; negligence; breach of contract and violation of NASD and Exchange rules; and breach of fiduciary duty. The causes of action relate to transactions in a number of mutual funds. Specifically, Claimant alleged that Respondent Reed engaged in inappropriate switching of mutual funds.

Respondents denied the allegations set forth in the Statement of Claim. Respondents Gruntal and Reed specifically stated:

Mr. and Mrs. Vani transferred their Shearson account to Gruntal in 1994, apparently very pleased with the manner in which Ms. Reed had handled their account for seven years, since 1987. During the course of her relationship with the Vanis, Ms. Reed spoke primarily with Mr. Vani, who was always interested in high-yield products for the potential for greater income. AE Reed supplied Mr. Vani with information that he utilized in making investment decisions. AE Reed advised Mr. Vani of the downside possibilities associated with investments in high-yield products, but Mr. Vani chose to invest in them despite their attendant risks because of the potentially high monthly returns.

### **RELIEF REQUESTED**

In the Statement of Claim, Claimant requested an award in the approximate amount of \$100,000.00.

Respondents requested that the matter be dismissed to the extent it is barred by the applicable statutes of limitation. As will be demonstrated by the evidence at the arbitration hearing, should the matter proceed to an arbitration hearing, this matter is wholly without merit. The arbitration panel should dismiss the Statement of Claim and award Gruntal the forum costs for defending this Claim.

### **OTHER ISSUES CONSIDERED & DECIDED**

Respondents, Henry D. Gottmann and Robert P. Rittereiser, did not file with the NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim are bound by the determination of the arbitration panel on all issues submitted.

After considering the Motion to Amend and all submissions related thereto, the Arbitration Panel granted the Motion in part and denied in part. The Motion to Amend was granted to add Respondents Gottmann and Rittereiser.

After considering Claimants Second Motion to Amend and all submissions related thereto, the Arbitration Panel denied the Motion to Amend.

Respondent Gruntal & Co., L.L.C. filed a voluntary petition in United States Bankruptcy Court on or about: October 29, 2002, and is subject to an automatic stay. The Panel did not adjudicate any claims against Respondent Gruntal.

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. In either case, the parties have agreed to receive conformed copies of the award while the original(s) remain on file with the NASD Dispute Resolution (the "NASD").

### **AWARD**

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

1. There is no liability under the Illinois Securities Act. In addition, after considering the evidence presented on the proceeds of the sales of the mutual funds and receipt of settlement funds from those Respondents that reached settlements with Claimants, Claimants failed to meet their burden of proof to establish any additional damages.
2. That to the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto are denied with prejudice.
3. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys fees, not specifically awarded or otherwise provided for above.

### FEES

Pursuant to the Code, the following fees are assessed:

#### Filing Fees

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

Initial claim filing fee = \$225.00

#### 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. In this matter, the member firm(s) is Gruntal & Co., L.L.C.

Member surcharge	\$	1000.00
Pre-hearing process fee	\$	600.00
Total Member Fees	\$	<u>1600.00</u>

#### Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

6	Pre-hearing session(s) with Panel	x	750.00	\$	4,500.00
	May 15, 2002	1	session		
	September 19, 2002	1	session		
	December 23, 2002	1	session		
	April 30, 2003	1	session		
	September 22, 2003	1	session		
	January 20, 2004	1	session		
4	Hearing sessions	x	750.00	\$	3,000.00
	June 29, 2004	2	sessions		
	June 30, 2004	2	sessions		
	Total Forum Fees			\$	<u>7,500.00</u>

The Arbitration Panel has assessed \$2,500.00 of the forum fees to John A. Vani & Catherine A. Vani, Trust.

The Arbitration Panel has assessed \$5,000.00 of the forum fees to Jodi A. Reed.

**Fee Summary**

Claimants, John A. Vani & Catherine A. Vani, Trust shall be and hereby are jointly and severally liable for:

Initial Filing Fee	= \$	225.00
<u>Forum Fees</u>	= \$	2,500.00
Total Fees	= \$	2,725.00
<u>Less payments</u>	= \$	-975.00
Balance Due NASD Dispute Resolution	= \$	1750.00

Respondent, Gruntal & Co., L.L.C., shall be and hereby is liable for:

Member Fees	= \$	1,600.00
Total Fees	= \$	1,600.00
<u>Less payments</u>	= \$	-1,600.00
Balance Due NASD Dispute Resolution	= \$	0.00

Respondent Jodi A. Reed shall be and hereby is liable for:

<u>Forum Fees</u>	= \$	5,000.00
Total Fees	= \$	5,000.00
<u>Less payments</u>	= \$	-0.00
Balance Due NASD Dispute Resolution	= \$	5,000.00

**All balances are due to NASD Dispute Resolution**

**ARBITRATION PANEL**

Stuart D. Perlman, Esq.- Public Arbitrator, Presiding Chair  
Stuart D. Summers- Public Arbitrator  
Frederic M. Rizzo- Non-Public Arbitrator

Concurring Arbitrators:

Stuart D. Perlman  
Stuart D. Perlman, Esq.  
Public Arbitrator, Presiding Chair

Sept. 15, 2004  
Signature Date

Stuart D. Summers  
Public Arbitrator

Signature Date

Frederic M. Rizzo  
Non-Public Arbitrator

Signature Date

Date of Service:

9/22/04

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Concurring Arbitrators:

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Stuart D. Perlman, Esq.  
Public Arbitrator, Presiding Chair

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Signature Date

*Stuart D. Summers*

*8-31-04*

Stuart D. Summers  
Public Arbitrator

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Signature Date

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Frederic M. Rizzo  
Non-Public Arbitrator

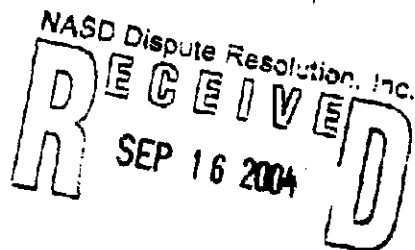
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Signature Date

Date of Service: \_\_\_\_\_

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Concurring Arbitrators:

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Stuart D. Perlman, Esq.  
Public Arbitrator, Presiding Chair

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Signature Date

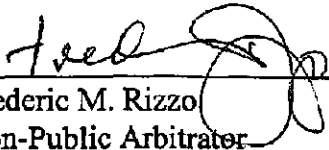
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Stuart D. Summers  
Public Arbitrator

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Signature Date

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Frederic M. Rizzo  
Non-Public Arbitrator

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9/15/04  
Signature Date

Date of Service: \_\_\_\_\_