

**Award**  
**NASD Dispute Resolution**

---

In the Matter of the Arbitration Between:

Linda Hazel Sherman, Edwin Bernard Sherman, and The Sherman Family Trust, Claimants v.  
Henry M. Korngut and Bear Stearns & Co., Inc., Respondents

Case Number: 03-00552

Hearing Site: Los Angeles, California

---

Nature of the Dispute: Customer v. Member and Associated Person

**REPRESENTATION OF PARTIES**

For Claimants:

Jeff Dennis Ferentz, Esq.  
Jeff Dennis Ferentz, Inc.  
Newport Beach, California

For Respondents:

Stephen Young, Esq.  
Melanie Ronen, Esq.  
Keesal, Young & Logan  
Long Beach, California

**CASE INFORMATION**

Statement of Claim filed: January 21, 2003

Claimants' Joint Uniform Submission Agreement signed: January 4, 2003

Joint Statement of Answer filed by Respondents: April 14, 2003

Respondent Henry M. Korngut's Uniform Submission Agreement signed: May 19, 2003

Respondent Bear Stearns & Co., Inc.'s Uniform Submission Agreement signed: April 14, 2003

### **CASE SUMMARY**

Claimants alleged unsuitability, negligence, breach of fiduciary duty, omissions of fact, misrepresentations, fraud, failure to supervise, and violation of rules and regulations of various exchanges, involving unspecified securities.

Respondents denied the allegations of wrongdoing set forth in the Claimants' Statement of Claim.

### **RELIEF REQUESTED**

Claimants requested \$380,493.00 in compensatory damages, unspecified punitive damages, disgorgement of commissions, and costs, including attorney's fees.

Respondents requested dismissal of the Claimants' Statement of Claim in its entirety, and expungement of Respondent Henry M. Korngut's CRD record.

### **OTHER ISSUES CONSIDERED AND DECIDED**

On April 11, 2003, Claimants and Claimants' counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

On April 16, 2003, Respondents Henry M. Korngut and Bear Stearns & Co., Inc.'s counsel signed a Waiver Agreement expressly waiving any and all rights and benefits under California Civil Code Section 1542 and the California Ethical Standards for Neutral Arbitrators.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Respondents Henry M. Korngut and Bear Stearns & Co., Inc. are jointly and severally liable to and shall pay Claimants the sum of \$30,000.00 in compensatory damages. Arbitrator Richard B. Chess, Jr., Esq. dissents with respect to the award of compensatory damages in this matter.
- 2) The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Henry M. Korngut's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09, Respondent Henry M. Korngut must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.
- 3) The parties shall bear their respective costs, including attorney's fees.
- 4) All other relief requested and not expressly granted is denied.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

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

Initial claim filing fee	= \$ 300.00
--------------------------	-------------

#### **Member Fees**

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, the member firm Bear Stearns & Co., Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 1,700.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$ 2,750.00</u>
<b>Total Member Fees</b>	<b>= \$ 5,200.00</b>

**Forum Fees and Assessments**

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair/Panel. The following fees are assessed:

1 Pre-hearing conference session with the Panel @ \$1,125.00/session = \$ 1,125.00  
Pre-hearing conference: July 15, 2003 1 session

6 Hearing sessions @ \$1,125.00/session = \$ 6,750.00  
Hearings: December 16, 2003 2 sessions  
December 17, 2003 2 sessions  
December 18, 2003 2 sessions

---

**Total Forum Fees = \$ 7,875.00**

1. The Panel assessed \$ 3,937.50 of the forum fees jointly and severally to Claimants.
2. The Panel assessed \$ 3,937.50 of the forum fees jointly and severally to Respondents.

**Fee Summary**

1. Claimants are charged jointly and severally with the following fees and costs:

Initial Filing Fee	= \$ 300.00
<u>Forum Fees</u>	= \$ 3,937.50
Total Fees	= \$ 4,237.50
<u>Less payments</u>	= \$(1,425.00)
<b>Balance Due NASD Dispute Resolution</b>	<b>= \$ 2,812.50</b>
2. Respondent Bear Stearns & Co., Inc. is charged with the following fees and costs:

Member Fees	= \$ 5,200.00
<u>Less payments</u>	= \$(5,200.00)
<b>Balance Due NASD Dispute Resolution</b>	<b>= \$ 0.00</b>
3. Respondents are charged jointly and severally with the following fees and costs:

Forum Fees	= \$ 3,937.50
<u>Less payments</u>	= \$( 0.00)
<b>Balance Due NASD Dispute Resolution</b>	<b>= \$ 3,937.50</b>

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

**ARBITRATION PANEL**

Rufus V. Rhoades, Esq.	-	Public Arbitrator, Presiding Chair
Richard B. Chess, Jr., Esq.	-	Public Arbitrator
Dean Schneider	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

\_\_\_\_\_  
Rufus V. Rhoades, Esq.  
Chair, Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Dean Schneider  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

**Concurring in Part, Dissenting in Part Arbitrator's Signature**

\_\_\_\_\_  
Richard B. Chess, Jr., Esq.  
Public Arbitrator

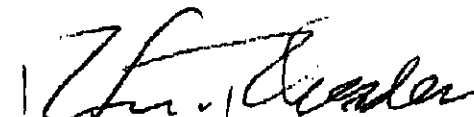
\_\_\_\_\_  
Signature Date

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

**ARBITRATION PANEL**

Rufus V. Rhoades, Esq.	-	Public Arbitrator, Presiding Chair
Richard B. Chess, Jr., Esq.	-	Public Arbitrator
Dean Schneider	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**



Rufus V. Rhoades, Esq.  
Chair, Public Arbitrator

12-23-03

Signature Date

\_\_\_\_\_  
Dean Schneider  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

**Concurring in Part, Dissenting in Part Arbitrators' Signatures**

\_\_\_\_\_  
Richard B. Chess, Jr., Esq.  
Public Arbitrator

\_\_\_\_\_  
Signature Date

12/23/03

Date of Service

**ARBITRATION PANEL**

Rufus V. Rhodes, Esq.  
Richard B. Chene, Jr., Esq.  
Dean Schneider

Public Arbitrator, Presiding Chair  
Public Arbitrator  
Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

Rufus V. Rhodes, Esq.  
Chair, Public Arbitrator

Signature Date

  
Dean Schneider  
Non-Public Arbitrator

12-23-03  
Signature Date

**Concurring in Part, Dissenting in Part Arbitrator's Signature**

Richard B. Chene, Jr., Esq.  
Public Arbitrator

Signature Date

12/23/03  
Date of Service

ARBITRATION PANEL

Rufus V. Rhoades, Esq.	-	Public Arbitrator, Presiding Chair
Richard B. Chess, Jr., Esq.	-	Public Arbitrator
Dean Schneider	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


\_\_\_\_\_  
Rufus V. Rhoades, Esq.  
Chair, Public Arbitrator

\_\_\_\_\_  
Signature Date

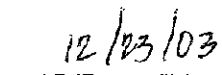
\_\_\_\_\_  
Dean Schneider  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

Concurring in Part, Dissenting in Part Arbitrator's Signature

  
\_\_\_\_\_  
Richard B. Chess, Jr., Esq.  
Public Arbitrator

  
\_\_\_\_\_  
Signature Date

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