
Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant
Roberta D. Gates

Case Number: 03-04945

Names of the Respondents
Allen Douglas Securities, Inc.
Moti T. Khemlani

Hearing Site: Orlando, Florida

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

REPRESENTATION OF PARTIES

For Roberta D. Gates, hereinafter referred to as "Claimant": Austin N. Aaronson, Esq., Aaronson, Austin, P.A., Winter Park, Florida.

For Allen Douglas Securities, Inc. ("ADS") and Moti T. Khemlani ("Khemlani"), hereinafter collectively referred to as "Respondents": Russell L. Forkey, Esq., Russell L. Forkey, P.A., Fort Lauderdale, Florida.

CASE INFORMATION

Statement of Claim filed on or about: July 7, 2003.

Claimant signed the Uniform Submission Agreement on: June 27, 2003.

Statement of Answer filed by Respondents on or about: September 29, 2003.

Counterclaim filed by Respondents on or about: March 2, 2004.

Response to Counterclaim and Motion to Dismiss filed by Claimant on or about: April 9, 2004.

Respondents' Response to Claimant's Motion to Dismiss filed on or about: April 13, 2004.

Respondent ADS signed the Uniform Submission Agreement on: July 28, 2003.

Respondent Khemlani signed the Uniform Submission Agreement on: November 13, 2003.

CASE SUMMARY

Claimant alleged the following causes of action: 1) violation of Section 517.301, Florida Statutes, and NASD Conduct Rules 2110 and 2310; 2) breach of fiduciary duty; 3) concealment; 4) deceit; and 5) professional negligence. The causes of action relate to the improper purchase and sale in excess of \$14,000,000.00 of

investment securities to generate unnecessary and fraudulent commissions, and wrongful placement of investments in high-risk equity positions and short positions through margin trading without the knowledge or consent of Claimant.

Unless specifically admitted in their Statement of Answer, Respondents denied the allegations made in the Statement of Claim and asserted various defenses.

Respondents alleged a cause of action of fraud in their Counterclaim by virtue of Claimant having filed the Statement of Claim.

RELIEF REQUESTED

Claimant requested: 1) compensatory damages plus statutory interest in the amount of \$356,819.25; 2) punitive damages in the amount of \$3,568,192.50; 3) attorneys' fees; 4) costs; 5) rescission; and 6) such other relief the undersigned arbitrators (the "Panel") deemed just and proper.

Respondents requested in their Statement of Answer: 1) dismissal of the Statement of Claim in its entirety; 2) attorneys' fees; and 3) such other relief the Panel deemed just and proper.

Respondents requested in their Counterclaim: 1) compensatory damages in the amount of \$100,000.00; and 2) expungement of all reference to the above captioned arbitration from Respondents' registration records maintained by the NASD Central Registration Depository ("CRD").

OTHER ISSUES CONSIDERED AND DECIDED

On or about April 9, 2004, Claimant filed her Motion to Dismiss Counterclaim. On or about April 13, 2004, Respondents filed their response to the motion. On or about April 29, 2004, the Panel denied the motion.

On or about August 19, 2004, Claimant filed her Motion to Amend Statement of Claim to Add Count for Unauthorized Trading. On or about August 24, 2004, Respondents filed their response to the motion. On or about September 9, 2004, the Panel denied the motion.

At the evidentiary hearing and upon conclusion of Claimant's case-in-chief, Respondents moved for dismissal with prejudice of Claimant's claims. The Panel granted the motion in part and denied the motion in part. The Panel dismissed with prejudice the claim as to the "Team Account" #48072821. The Panel denied the motion in all other respects.

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, the testimony and evidence presented at the hearing, and the post-hearing submissions (if any), the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent ADS is liable and shall pay to Claimant compensatory damages in the amount of \$50,000.00, plus interest at the rate of 7.00% per annum that shall accrue from the date of service of the Award until the date of payment. The Panel finds Respondent ADS liable on the claim of professional negligence.
2. Respondent Khemlani is liable and shall pay to Claimant compensatory damages in the amount of \$4,127.27, plus interest at the rate of 7.00% per annum that shall accrue from the date of service of the Award until the date of payment. The Panel finds Respondent Khemlani liable on the claim of professional negligence.
3. Claimant's request for punitive damages is denied.
4. Claimant's request for attorneys' fees is denied.
5. Respondents' counterclaim is denied in its entirety.
6. Respondents' request for attorneys' fees is denied.
7. Respondents' request for expungement is denied.
8. Any and all claims or relief, including statutory claims under Florida Statutes Chapter 517, not specifically addressed herein are denied.

FEES

Pursuant to the NASD Code of Arbitration Procedure (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	= \$ 600.00
Counterclaim filing fee	= \$1,000.00

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. Accordingly, Respondent ADS is a member firm and a party.

Member surcharge	= \$2,800.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$5,000.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

There were no adjournments requested during these proceedings for which fees were assessed.

Three-Day Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

There were no three-day cancellation fees assessed during these proceedings.

Injunctive Relief Fees

Injunctive relief fees are assessed to each member or associated person who files for a temporary injunction in court. Parties in these cases are also assessed arbitrator travel expenses and costs when an arbitrator is required to travel outside his or her hearing location and additional arbitrator honoraria for the hearing for permanent injunction. These fees, except the injunctive relief surcharge, are assessed equally against each party unless otherwise directed by the panel.

There were no injunctive relief fees assessed during these proceedings.

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:

One (1) Pre-hearing session with Panel @ \$1,200.00 per session	= \$ 1,200.00
Pre-hearing conference: March 15, 2004 1 session	

Eight (8) Hearing sessions @ \$1,200.00 per session	= \$ 9,600.00
Hearing Dates: July 28, 2004 2 sessions	
July 29, 2004 2 sessions	
July 30, 2004 2 sessions	
October 26, 2004 2 sessions	

Total Forum Fees	= \$10,800.00
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The Panel has assessed forum fees in the amount of \$3,600.00 to Claimant.

The Panel has assessed forum fees in the amount of \$3,600.00 to Respondent ADS.

The Panel has assessed forum fees in the amount of \$3,600.00 to Respondent Khemlani

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

There were no administrative costs incurred during these proceedings.

Fee Summary

Claimant is solely liable for:

Initial Filing Fee	= \$ 600.00
<u>Forum Fees</u>	= \$ 3,600.00
Total Fees	= \$ 4,200.00
<u>Less payments</u>	= \$ 1,800.00
Balance Due NASD Dispute Resolution	= \$ 2,400.00

Respondent ADS is solely liable for:

Member Fees	= \$ 8,550.00
<u>Forum Fees</u>	= \$ 3,600.00
Total Fees	= \$12,150.00
<u>Less payments</u>	= \$ 9,300.00
Balance Due NASD Dispute Resolution	= \$ 2,850.00

Respondent Khemlani is solely liable for:

<u>Forum Fees</u>	= \$ 3,600.00
Total Fees	= \$ 3,600.00
<u>Less payments</u>	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 3,600.00

Respondents ADS and Khemlani are jointly and severally liable for:

<u>Counterclaim Filing Fee</u>	= \$ 1,000.00
Total Fees	= \$ 1,000.00
<u>Less payments</u>	= \$ 1,000.00
Balance Due NASD Dispute Resolution	= \$ 0.00

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

ARBITRATION PANEL

<i>John P. Cullem, Esq.</i>	-	<i>Public Arbitrator, Presiding Chairperson</i>
<i>Robert J. Walter</i>	-	<i>Public Arbitrator</i>
<i>Joseph I. Amonette</i>	-	<i>Non-Public Arbitrator</i>

Concurring Arbitrators' Signatures

_____/s/_____
John P. Cullem, Esq.
Public Arbitrator, Presiding Chairperson

November 4, 2004
Signature Date

/s/
Robert J. Walter
Public Arbitrator

/s/
Joseph I. Amonette
Non-Public Arbitrator

November 4, 2004
Signature Date

November 4, 2004
Signature Date

November 8, 2004
Date of Service (For NASD Dispute Resolution office use only)

Nov. 3. 2004 4:51PM NASD

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Fee Summary**Claimant is solely liable for:**

Initial Filing Fee	= \$ 600.00
<u>Forum Fees</u>	= \$ 3,600.00
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ARBITRATION PANEL

John P. Cullem, Esq.
Robert J. Walter
Joseph I. Amonette

- Public Arbitrator, Presiding Chairperson
- Public Arbitrator
- Non-Public Arbitrator

Concurring Arbitrators' Signatures


John P. Cullem, Esq.
Public Arbitrator, Presiding Chairperson

11/04/2004
Signature Date

Nov. 08 2004 11:59AM P2

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Robert J. Walter
Robert J. Walter
Public Arbitrator

November 4, 2004
Signature Date

Joseph I. Amoretti
Joseph I. Amoretti
Non-Public Arbitrator

Signature Date

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

PHONE NO.

FROM : NEULTON & ASSOCIATES INC.
NEW YORK, NY 10017

NASD Dispute Resolution

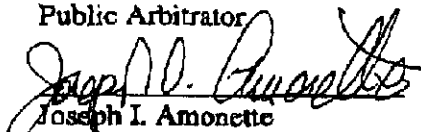
Arbitration No. 03-04945

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Robert J. Walter

Public Arbitrator

Signature Date



Joseph I. Amonette

Non-Public Arbitrator

11/04/04
Signature Date

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