

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimants

Fayez Khalil and Khalil Hassan

v.

Case Number: 04-03260
Hearing Site: Detroit, Michigan

Respondents

Leonard & Company a/k/a Leonard Financial
Corp., and Alfred M. Allos

And

Counter-Claimant

Alfred M. Allos

v.

Counter-Respondents

Fayez Khalil and Khalil Hassan

And

Third-Party Claimant

Alfred M. Allos

v.

Third-Party Respondent

Kal Khalil

And

Third-Party Claimant

Leonard & Company a/k/a Leonard Financial
Corp.

v.

Third-Party Respondent

Kal Khalil

NATURE OF DISPUTE

Customers v. Member and Associated Person
Associated Person v. Customers
Associated Person v. Non-member/Non-Associated Person
Member v. Non-member/Non-Associated Person

REPRESENTATION OF PARTIES

Fayez Khalil a/k/a Fayez Hassan Khalil and Khalil Hassan ("Claimants") were represented by Roger Rathi, Esq., Legalquest Network, Inc., Bingham Farms, Michigan until on or about April 29, 2005, when Gary Nitzkin, Esq., Nitzkin & Associates, appeared on behalf of Claimants.

Leonard & Company a/k/a Leonard Financial Corp. ("Leonard") was represented by Dennis J. Levasseur, Esq., Bodman, LLP, Detroit, Michigan.

Alfred M. Allos ("Allos") was represented by Walter L. Baumgardner, Esq., Musilli Brennan & Letvin PLLC., St. Clair Shores, Michigan.

Kal Khalil ("Khalil") did not appear.

CASE INFORMATION

The Statement of Claim was filed on or about May 3, 2004. The Submission Agreement of Fayez Khalil was signed on or about April 27, 2004. The claims of Khalil Hassan were pursued by Fayez Khalil as attorney-in-fact.

The Statement of Answer was filed by Leonard & Company a/k/a Leonard Financial Corp. on or about July 24, 2004. The Submission Agreement of Leonard & Company a/k/a Leonard Financial Corp. was signed on or about September 16, 2004. The Third Party Claim Against Kal Khalil was filed on or about November 3, 2004.

The Statement of Answer was filed by Alfred M. Allos on or about July 26, 2004. The Submission Agreement of Alfred M. Allos was signed on or about July 8, 2004.

Kal Khalil did not file a Statement of Answer or Submission Agreement.

Leonard filed a Motion to Dismiss and for Sanctions on or about April 20, 2005. Allos concurred in Leonard's Motion to Dismiss on or about April 26, 2005. Claimants' Response to Leonard's Motion to Dismiss was filed on or about May 11, 2005. Leonard filed a Reply in Support of its Motion on or about June 7, 2005. Allos filed a Reply to the Motion on or about May 23, 2005.

CASE SUMMARY

Claimants asserted the following causes of action: violation of 17 USC 78j, 17 CFR 240.10b-5/ Account Trading Without Authorization against all Respondents; conversion against all Respondents; churning in violation of 17 CFR 240.10b-5 against all Respondents; Respondent Superior liability on Leonard; breach of contract against Leonard; and breach of fiduciary duty against all Respondents. The causes of action related to Claimants' allegations of unauthorized trading and unauthorized transfers. Claimants asserted that Kal Khalil (Third-Party Respondent), in the presence of Respondent Allos, forged Claimants' signatures on a Trading Authorization Form, which resulted in the unauthorized transfer of funds from Claimants' account to Kal Khalil's personal account to cover Kal Khalil's own shortages and/or margin calls. Claimants further asserted that Respondents used the forged authorization to allow Kal Khalil to trade in Claimants' account.

Unless specifically admitted in its Answer, Respondent Leonard denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants consented to, ratified, and/or affirmed the complained of transactions by failing to object timely to those transactions after receiving written notice of the transactions; Claimants failed to mitigate their alleged damages from the alleged unauthorized trading, churning, and other claimed wrongful acts by failing to object after receipt of written notice of the transactions; and Claimants' claims are barred by laches arising out of their failure to timely object to the transactions of which they complain.

In its Third-Party Claim against Kal Khalil, Leonard asserted causes of action for contribution; indemnity; breach of fiduciary duty; and conversion.

Unless specifically admitted in his Answer, Respondent Allos denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: fraud; failure to state a claim upon which relief can be granted; estoppel; waiver; acceptance; laches; felonious conduct by third-party respondent; conspiracy to commit fraud.

In his Counterclaim and Third-Party Claim, Allos asserted common law fraud claims.

RELIEF REQUESTED

Claimants requested an award in the amount of \$759,000.00, plus treble damages, costs, attorneys' fees, exemplary or special damages, and any other relief the panel deemed just and appropriate.

Respondent Leonard requested that the claims asserted against it be dismissed in their entirety and that it be awarded its costs and attorneys' fees. Leonard requested indemnification and contribution in its Third-Party Claim.

Respondent Allos requested that the claims asserted against him be denied in their entirety, that he be awarded his costs and attorneys' fees, and that all references to this matter be expunged from his CRD records. In his Counterclaim and Third Party Claim, Allos requested \$1,000,000.00 in damages.

OTHER ISSUES CONSIDERED & DECIDED

The panel granted the oral requests of Leonard and Allos to file Third-Party Claims against Kal Khalil during the pre-hearing conference on October 8, 2004.

Kal Khalil declined to voluntarily submit to arbitration by letter of January 4, 2005. Third-Party Respondent Kal Khalil is not associated with an NASD Member Firm. Since Kal Khalil did not voluntarily submit to NASD arbitration, nor was a contract to arbitrate disputes with Kal Khalil presented, Kal Khalil is not compelled by NASD rules to arbitrate disputes in this forum. In the absence of Kal Khalil's voluntary submission, NASD does not have jurisdiction over this party. The panel dismissed the Third-party claims against Kal Khalil without prejudice.

In its Order entered on or about March 17, 2005, the panel ordered Claimants to comply fully with Respondents' Second Motion to Compel within three weeks.

Claimants' counsel did not appear for the pre-hearing conference reserved for oral arguments on the Motions to Dismiss on June 9, 2005.

After entertaining oral arguments on Respondents' Motions to Dismiss and for Sanctions, the panel granted the Motions to Dismiss pursuant to Rule 10305 of the NASD Code of Arbitration Procedure as a sanction for Claimants' willful and intentional material failure to comply with the panel's discovery order entered on March 17, 2005.

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 NASD Dispute Resolution ("NASD").

AWARD

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

- 1.) Claimants' claims, each and all, are dismissed without prejudice. Claimants are referred to their judicial remedies pursuant to Rule 10305 of the NASD Code of Arbitration Procedure;

- 2.) The Counterclaim of Respondent Allos is dismissed without prejudice;
- 3.) The Third-Party Claims of Respondents Leonard & Company a/k/a Leonard Financial Corp., and Alfred Allos are dismissed without prejudice due to lack of jurisdiction;
- 4.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 5.) Any relief not specifically enumerated, including punitive damages, expungement and attorneys' fees, is hereby dismissed without prejudice.

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	= \$ 500.00
Counterclaim/Third-Party Claim filing fee	= \$ 375.00
Third-Party Claim filing fee	= \$ 2,000.00

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. In this matter, the member firm is Leonard & Company a/k/a Leonard Financial Corp.

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

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:

Four (4) Pre-hearing sessions with Panel x \$1,200.00	= \$ 4,800.00
Pre-hearing conferences: October 8, 2004	1 session
May 19, 2005	1 session
June 9, 2005	1 session
June 14, 2005	1 session
Total Forum Fees	= \$ 4,800.00

The Arbitration Panel has assessed \$4,200.00 of the forum fees jointly and severally to Fayez Khalil and Khalil Hassan.

The Arbitration Panel has assessed \$600.00 of the forum fees jointly and severally to Leonard & Company a/k/a Leonard Financial Corp. and Alfred M. Allos.

Fee Summary

Claimants, Fayez Khalil and Khalil Hassan, are jointly and severally liable for:

Initial Filing Fee	= \$ 500.00
Forum Fees	= \$ 4,200.00
Total Fees	= \$ 4,700.00
Less payments	= \$ 1,700.00
Balance Due NASD Dispute Resolution	= \$ 3,000.00

Respondent, Leonard & Company a/k/a Leonard Financial Corp., is liable for:

Third-Party Claim Filing Fee	= \$ 2,000.00
Member Fees	= \$ 8,550.00
Total Fees	= \$10,550.00
Less payments	= \$10,550.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent, Alfred M. Allos, is solely liable for:

Counterclaim/Third-Party Claim Filing Fee	= \$ 375.00
Total Fees	= \$ 375.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 375.00

Respondents, Leonard & Company a/k/a Leonard Financial Corp., and Alfred M. Allos, are jointly and severally liable for:

Forum Fees	= \$ 600.00
Total Fees	= \$ 600.00
Less payments	= \$ 450.00
Balance Due NASD Dispute Resolution	= \$ 150.00

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

ARBITRATION PANEL

Norman Bristol, Esq. - Public Arbitrator, Presiding Chair
Sal Presti, CPA - Public Arbitrator
Ann D. Kuhna - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Norman Bristol, Esq.
Norman Bristol, Esq.
Public Arbitrator, Presiding Chair

Signature Date

/s/ Sal Presti, CPA
Sal Presti, CPA
Public Arbitrator

06/17/05
Signature Date

/s/ Ann D. Kuhna
Ann D. Kuhna
Non-Public Arbitrator

06/17/05
Signature Date

06/17/05
Date of Service (For NASD office use only)

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Ann D. Kuhna - Non-Public Arbitrator

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Public Arbitrator, Presiding Chair


Sal Presti, CPA
Public Arbitrator

Signature Date

06/17/05
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Non-Public Arbitrator

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DR ROBERT HUME

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NASD REGULATION

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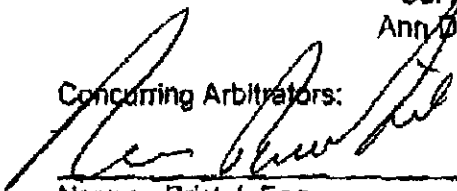
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Public Arbitrator, Presiding Chair

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Sal Presti, CPA
Public Arbitrator

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Ann D. Kuhna - Non-Public Arbitrator

Concurring Arbitrators:

Norman Bristol, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Sal Presti, CPA
Public Arbitrator

Signature Date



Ann D. Kuhna
Non-Public Arbitrator

4-17-05

Signature Date

Date of Service (For NASD office use only)