

**NASD REGULATION, INC.
OFFICE OF DISPUTE RESOLUTION
ARBITRATION AWARD**

NASD REGULATION, INC. OFFICE OF DISPUTE RESOLUTION

In the matter of the Arbitration Between

Name of Claimant

Rafi M. Khan

v.

NASD Regulation, Inc.
Office of Dispute Resolution
Arbitration No.94-03333

Name of Respondents

Irving Kott, William Stratton, Walter Senior and J.B. Oxford & Co.

Name of Claimant

Rafi M. Khan

v.

NASD Regulation, Inc.
Office of Dispute Resolution
Arbitration No.95-03643

Name of Respondents

J.B. Oxford & Co. and Reynolds Kendrick Stratton, Inc.

Name of Claimant

Reynolds Kendrick Stratton, Inc.

v.

NASD Regulation, Inc.
Office of Dispute Resolution
Arbitration No.95-04086

Name of Respondent

Rafi M. Kahn

REPRESENTATION

For Claimant:

in pro per

For Respondents J.B. Oxford & Co.
and William Stratton:

Peter Brown Dolan
Morgan, Lewis & Bockius LLP
Los Angeles, California

For Respondent Reynolds Kendrick
Stratton, Inc.:

Kristin A. Linsley
Munger, Tolles & Olson
Los Angeles, California

CASE INFORMATION FOR CASE #94-03333

Statement of Claim filed:

August 1, 1994

Claimant's Submission Agreement signed:

August 16, 1994

Joint Response to Claimant's Statement of Claim
Filed by Respondents J.B. Oxford & Co.
and William R. Stratton:

February 2, 1995

CASE INFORMATION FOR CASE #95-03463

Statement of Claim filed:

July 28, 1995

Claimant's Submission Agreement signed:

August 16, 1994

Statement of Answer filed by Respondent
J.B. Oxford & Co.:

October 16, 1995

Statement of Answer filed by Respondent
Reynolds Kendrick Stratton, Inc.:

October 5, 1995

CASE INFORMATION FOR CASE #95-04086

Statement of Claim filed: August 23, 1995
Claimant's Submission Agreement signed: August 29, 1995
Statement of Answer filed by Respondent: May 5, 1996
Respondent's Submission Agreement signed: August 16, 1994

HEARING INFORMATION

Pre-Hearing Conference Date / Session: October 14, 1996 (1 Session)
Hearing Dates / Sessions: February 3, 1997 (2 Sessions)
February 4, 1997 (2 Sessions)
February 5, 1997 (2 Sessions)
February 6, 1997 (2 Sessions)
February 7, 1997 (2 Sessions)
February 10, 1997 (1 Session)
Hearing Location: Los Angeles, California

CASE SUMMARY FOR CASE #94-03333

Claimant Khan alleged that a levy was placed illegally on his accounts with Reynolds Kendrick Stratton, Inc. Claimant further alleged that Reynolds Kendrick Stratton, Inc. misappropriated funds and misappropriated shares of Claimant's stock in RKSFG.

Respondents J. B. Oxford & Co. and William Stratton alleged that Claimant failed to state a claim upon which relief could be granted. Respondent further alleged that Claimant does not have standing to bring suit against J. B. Oxford & Co. Respondent alleged that Claimant ratified and adopted all actions made by Reynolds Kendrick Stratton, Inc. Respondent also alleged that Claimant failed to mitigate his losses. Respondents further alleged that the claim is barred by the statute of limitations and laches. Respondents further alleged that the claim is barred by the doctrines of waiver, estoppel and unclean hands.

On November 4, 1996 this case was consolidated with Case Numbers 95-03643 and 95-04086.

RELIEF REQUESTED FOR CASE #94-03333

Claimant Khan requested that the levies on his accounts be removed. Claimant also requested \$500,000.00 in damages or the return of 400,000 shares of RKSFG. Claimant further requested \$250,000.00 in damages for the FCMI stock transactions, and a declaratory judgment or injunction halting Respondents from levying Claimant's accounts. Claimant also requested costs and punitive damages.

Respondent J.B. Oxford & Co. and William Stratton requested that the claims against them be summarily dismissed. Respondents also requested costs, fees and reasonable attorney's fees.

CASE SUMMARY FOR CASE #95-03643

Claimant Khan alleged that he should be indemnified for costs and damages incurred defending third party suits arising from his employment with the Respondents.

Respondent J.B. Oxford & Co. alleged that it was a separate and distinct entity from Reynolds Kendrick Stratton, Inc. and was not a proper party to be named in the suit.

Respondent Reynolds Kendrick Stratton, Inc., alleged that Claimant failed to state a claim, that Claimant waived the relief sought in the claim, and that Claimant failed to mitigate his losses. Respondent further alleged that Claimant was barred by estoppel, lack of standing, unclean hands, ratification, laches and the statute of limitations.

Respondent Reynolds Kendrick Stratton, Inc., cross-claimed against Claimant. Respondent alleged that Claimant entered into contracts with third parties on behalf of Respondent and improperly performed or breached these contracts. Respondent further alleged that Claimant's breach resulted in Respondent being sued by third parties.

RELIEF REQUESTED FOR CASE #95-03643

Claimant Khan requested indemnification, costs, and payment of legal fees arising out of the third party suits. Claimant also requested that a declaratory judgment be entered against Respondent Reynolds Kendrick and Stratton, Inc., holding them liable for any damages Claimant may be required to pay in the third party actions.

Respondent J.B. Oxford & Co. requested that the claims be dismissed and sought reimbursement of costs, expenses and reasonable attorney's fees.

Respondent Reynolds Kendrick Stratton, Inc., requested summary dismissal of all claims and that Claimant be ordered to pay costs, expenses and reasonable attorney's fees.

Cross-claimant and Respondent Reynolds Kendrick Stratton, Inc. requested indemnification and

declaratory relief in regards to the third party actions.

CASE SUMMARY FOR CASE #95-04086

Claimant Reynolds Kendrick Stratton, Inc., alleged that Respondent purchased FCMI stock for his customers' accounts. The customers refused to pay for the stock after it was de-listed from NASDAQ. Claimant further alleged that after reversing the transactions they suffered financial loss. Claimant alleged that it is company and industry practice to hold brokers financially responsible for customer default losses where the broker places an order before insuring that funds are available to pay for the purchase. Claimant alleged that Respondent orally acknowledged responsibility for the losses. Claimant further alleged that Respondent was indebted to Claimant for an independent, personal purchase of stock.

RELIEF REQUESTED FOR CASE#95-04086

Claimant Reynolds Kendrick Stratton, Inc. requested actual damages in the amount of \$3,562,330.00 for the FCMI stock trading losses. Claimant also requested a determination and declaration that the charges and liens applied to Respondent's accounts were properly applied. Claimant requested costs, and reasonable attorney fees. At the hearing on the merits, Claimant requested punitive damages pursuant to California Code of Civil Procedure Section 3294.

OTHER ISSUES CONSIDERED AND DECIDED

In Case Number 94-03333, Respondents Irving Kott and Walter E. Senior did not submit to the jurisdiction of the NASD.

Khan dropped all employment-related claims on December 1, 1994, in Case Number 94-03333.

By order of the Arbitration Panel, Respondent J.B. Oxford & Co. was dismissed from Case Numbers 94-03333 and 95-03643 with prejudice.

By order of the Arbitration Panel, Respondent William Stratton was dismissed from Case Number 94-03333 with prejudice.

The parties have agreed that the Award in this matter may be executed in either 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 remains on file with the NASD Regulation, Inc. Office of Dispute Resolution.

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. All of Claimant Rafi Khan's claims in Case Numbers 94-03333 and 95-03643 are denied in their entirety.
2. Regarding Case Number 95-04086, Respondent Rafi Khan is liable to and shall pay Claimant Reynolds Kendrick Stratton, Inc. the sum of \$2,838,500.00 in compensatory damages.
3. Regarding Case Number 95-04086, Respondent Rafi Khan is liable to and shall pay Claimant Reynolds Kendrick Stratton, Inc. the sum of \$1,000,000.00 in punitive damages pursuant to California Civil Code Section 3294.
4. The parties shall each bear their respective costs, including attorney's fees.

FORUM FEES

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed against Rafi Khan:

One Pre-Hearing conference @ \$1500.00/session	=	\$1500.00
<u>Eleven Sessions @ \$1,500.00/session</u>	=	<u>\$16,500.00</u>
Total Fees Assessed Against Rafi Khan	=	\$18,000.00

Fees are payable to NASD Regulation, Inc.

ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
Chet Olsen, Esq.	Public Arbitrator
Milton C. Bennett	Industry Arbitrator
Lou von Dyl	Public Arbitrator

Concurring Arbitrators' Signatures



Chet Olsen, Esq.

Milton C. Bennett

Lou von Dyl

Date of Decision: _____


Date of Service: _____

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ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
Chet Olsen, Esq.	Public Arbitrator
Milton C. Bennett	Industry Arbitrator
Lou von Dyl	Public Arbitrator

Concurring Arbitrators' Signatures

<u>Chet Olsen, Esq.</u> 	
<u>Milton C. Bennett</u>	
<u>Lou von Dyl</u>	

Date of Decision: 2/13/97

Date of Service: _____

ARBITRATORS

<u>Name</u>	<u>Public / Industry</u>
Chet Olsen, Esq.	Public Arbitrator
Milton C. Bennett	Industry Arbitrator
Lou von Dyl	Public Arbitrator

Concurring Arbitrators' Signatures

- 94-03333

Chet Olsen, Esq.

Milton C. Bennett

Lou von Dyl

Date of Decision: _____

Date of Service: _____