

Stipulated Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Jack Shalhon, (Claimant) v. Gilford Securities, Inc., Carlos Cespedes, Stephen DeGroat, and Solomon Sharbat, (Respondents)

Case Number: 96-05422

Hearing Site: New York, New York

REPRESENTATION OF PARTIES

Claimant, Jack Shalhon, hereinafter referred to as "Claimant": Timothy J. Dennin, Timothy J. Dennin, P.C., New York, NY.

Respondents, Gilford Securities, Inc. ("Gilford"), Carlos Cespedes ("Cespedes"), Stephen DeGroat ("DeGroat"), and Solomon Sharbat ("Sharbat") hereinafter collectively referred to as "Respondents": Michael Kalmus, Law Office of Michael Kalmus, New York, NY.

CASE INFORMATION

Statement of Claim filed on or about: November 25, 1996

Claimant Jack Shalhon signed the Uniform Submission Agreement:

Joint Statement of Answer filed by Respondents on or about: January 8, 1997

Respondent Gilford signed the Uniform Submission Agreement:

Respondent Cespedes signed the Uniform Submission Agreement:

Respondent DeGroat signed the Uniform Submission Agreement:

Respondent Sharbat signed the Uniform Submission Agreement:

CASE SUMMARY

Claimant asserted the following causes of action: violations of the NASD Rules of Fair Practice; fraud; violations of Section 10(b) and 20(a) of the Exchange Act and Rules 10b-5 and 10b-10 promulgated thereunder; unsuitability; breach of fiduciary duty; misrepresentation; failure to supervise; breach of contract; negligence; and churning. The causes of action relate to margin and option trading in Claimant's account.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Claimant authorized and accepted the purchases and sales of securities in his account of which he complains; Claimant's alleged losses were attributed to general market conditions and/or specific conditions of the companies in which he made investments, and not to any willful and/or negligent action, inaction, or decisions made by Respondents; Claimant failed to mitigate his damages; Claimant received in a timely and appropriate manner all confirmations and monthly statements of his purchases and sales, therefore, ratified each and every trade and is contractually bound by his decisions; Claimant's account was handled properly and in full accordance with all applicable laws, rules, and regulations; Claimant expressly and inherently assumed any and all risks concerning any alleged damages in entering into the subject transactions; Claimant fails to state a cause of action or claim for which relief may be granted; the claims in the Statement of Claim are barred by the Statute of Limitations; the claims in the Statement of Claim are barred under the theories of Contract, Principal and Agency, Dominion and Control, Waiver and Estoppel; and the proximate cause for any alleged losses or damages sustained by Claimant was not due to any action or inaction on the part of Respondents.

RELIEF REQUESTED

Claimant requested:

- a. Compensatory damages in the amount of \$200,000;
- b. Punitive damages;
- c. Attorneys' fees and expenses, including accountants and expert fees;
- d. Forum fees, hearing fees, and costs; and
- e. Such other and further relief as the Panel deems just and proper.

In their Answer Respondents requested:

- a. That Claimant's Statement of Claim be dismissed in its entirety.

OTHER ISSUES CONSIDERED AND DECIDED

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

On July 16, 2002, the parties entered into an agreement to present to the Panel a Stipulated Award. Now, in lieu for a hearing and upon motion of both parties for entry of an Award, the written stipulation there, the Panel grants the motion and enters this award granting the following relief:

1. The parties have entered into a confidential settlement agreement;
2. The Claimant has dismissed all claims with prejudice against Respondents;
3. All other requests for relief are hereby denied;
4. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondents Cespedes, DeGroat and Sharbats' registration records maintained by the NASD Central Registration Depository ("CRD") with the understanding that pursuant to the NASD Notices to Members 99-09 and 99-54, Respondents Cespedes, DeGroat and Sharbat must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive; and
5. All parties to the above-captioned arbitration agree to bear their own costs and attorneys' fees.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 200.00
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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(s) at the time of the events giving rise to the dispute. In this matter, the member firm Gilford Securities, Inc. is a party.

<u>Member Surcharge</u>	= \$ 350.00
Total Member Fees	= \$ 350.00

Adjournment Fees

The following adjournment fees are assessed:

January 11, 12, 13, 2000 adjournment requested by Gilford	= \$ 750.00
November 28, 29, 2001 and December 4, 2001 adjournment requested by Gilford	= WAIVED
March 19, 21, 2001 adjournment requested by Gilford	= WAIVED

Forum Fees and Assessments

The Arbitrator/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. Forum fees associated with these proceedings are:

(1) Pre-hearing conference session with a single arbitrator @ \$ 300.00/session	= \$ 300.00
Pre-hearing conference: July 15, 1997	1 session
(3) Pre-hearing conference sessions with the Panel @ \$750.00/session	= \$ 2,250.00
Pre-hearing conferences: January 24, 2001	1 session
June 28, 2001	1 session
March 21, 2002	1 session

Total Forum Fees	= \$ 2,550.00
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Pursuant to Rule 10306 of the NASD Code of Arbitration Procedure, forum fees for the pre-hearings held on July 15, 1997; January 24, 2001; June 28, 2001; and March 21, 2002 are divided equally among the remaining parties.

Fee Summary

1. Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$ 200.00
Forum Fees	= \$ 510.00
Total Fees	= \$ 710.00
Less payments	= \$ 950.00
Refund Due Claimant	= \$ 240.00

2. Respondent, Gilford, be and hereby is solely liable for:

Member Fees	= \$ 350.00
Adjournment Fee	= \$ 750.00
Forum Fees	= \$ 510.00
Total Fees	= \$ 1,610.00
<u>Less payments</u>	= \$ 350.00
Balance Due NASD Dispute Resolution	= \$ 1,260.00

3. Respondent, Cespedes, be and hereby is liable for:

Forum Fee	= \$ 510.00
Balance Due NASD Dispute Resolution	= \$ 510.00

4. Respondent, Sharbat, be and hereby is liable for:

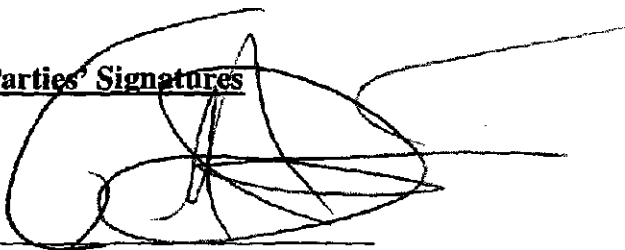
Forum Fee	= \$ 510.00
Balance Due NASD Dispute Resolution	= \$ 510.00

5. Respondent, DeGroat, be and hereby is liable for:

Forum Fee	= \$ 510.00
Balance Due NASD Dispute Resolution	= \$ 510.00

All balances are due and payable to NASD Dispute Resolution

Parties' Signatures

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke extending to the right.

Timothy J. Dennin
Attorney for Claimant

10/15/02
Signature Date

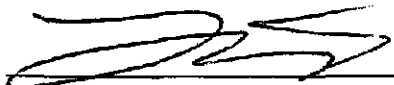
Michael Kalmus
Attorney for Respondents

Signature Date

ARBITRATION PANEL

Lawrence Pittore, Esq.	-	Public Arbitrator, Presiding Chair
Neil J. Carey	-	Public Arbitrator
John W. Thomas	-	Non-Public Arbitrator

Concurring Arbitrators' Signature(s)



Lawrence Pittore, Esq.
Public Arbitrator/Presiding Chair

1/1/02
Signature Date

Neil J. Carey
Public/Arbitrator

Signature Date

John W. Thomas
Non-Public Arbitrator

Signature Date

January 3, 2003
Date of Service (For NASD office use only)

ARBITRATION PANEL

Lawrence Pittore, Esq.	-	Public Arbitrator, Presiding Chair
Neil J. Carey	-	Public Arbitrator
John W. Thomas	-	Non-Public Arbitrator

Concurring Arbitrators' Signature(s)

Lawrence Pittore, Esq.
Public Arbitrator/Presiding Chair

Signature Date



Neil J. Carey
Public/Arbitrator

10/31/02
Signature Date

John W. Thomas
Non-Public Arbitrator

Signature Date

January 3, 2003
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Neil J. Carey	-	Public Arbitrator
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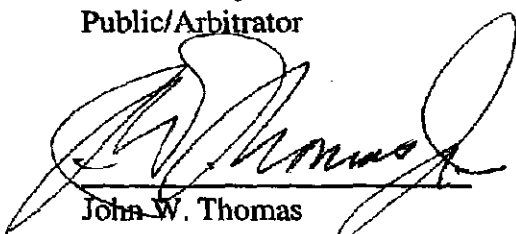
Concurring Arbitrators' Signature(s)

Lawrence Pittore, Esq.
Public Arbitrator/Presiding Chair

Signature Date

Neil J. Carey
Public/Arbitrator

Signature Date



John W. Thomas
Non-Public Arbitrator

21 Oct 2002
Signature Date

January 3, 2003
Date of Service (For NASD office use only)