

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Ray Neufeld and Jane Neufeld, Individually and as Trustees of the Neufeld Family Trust, and The Ray Neufeld Individual Retirement Accounts, Claimants v. Maurice (Mike) Arthur Gross, Jr., Mohammad Ali Khan, Martin Marvin Berk, William Oakleigh Triebel, Klein, Maus & Shire, Inc., SG Cowen Securities Corporation, and Gruntal & Co., LLC (f.k.a. Gruntal & Co., Inc.), Respondents.

Case Number: 99-02210

Hearing Site: Los Angeles, California

REPRESENTATION OF PARTIES

For Claimants:

Erwin J. Shustak, Esq.
Shustak, Jalil & Heller
San Diego, California

CASE INFORMATION

Statement of Claim filed: May 13, 1999.

Amended Statement of Claim filed: June 17, 1999.

Claimant Ray Neufeld, Individually and as Trustee of the Neufeld Family Trust's Uniform Submission Agreement signed: May 11, 1999.

Claimant Jane Neufeld, Individually and as Trustee of the Neufeld Family Trust's Uniform Submission Agreement Signed: May 11, 1999.

Statement of Answer filed by Respondent Gruntal & Co., LLC.: September 13, 1999.

Statement of Answer filed by Respondent SG Cowen Securities Corporation: May 25, 2000

Respondent Gruntal & Co., LLC's Uniform Submission Agreement signed: August 31, 1999.

Respondent SG Cowen Securities Corporation's Uniform Submission Agreement signed: May 25, 2000.

CASE SUMMARY

Claimants alleged common law and 10(b)5 fraud, churning, unauthorized trading, unsuitability, breach of fiduciary duty, and failure to supervise. Claimants also alleged violations of federal securities law, NASD Rules of Fair Practice, and the Employee Retirement Income Security Act (ERISA). Claimants' allegations arose out of the purchase and/or sale of securities in Rosedale Decorative, Hometown Auto Retailers, and Intercorp Excelle.

Respondent Gruntal & Co., LLC denied the allegations of wrongdoing set forth in the Claimants' Statement of Claim.

Respondent SG Cowen Securities Corporation's Statement of Answer stated no position regarding the allegations of wrongdoing in Claimants' Statement of Claim.

RELIEF REQUESTED

Claimants requested \$165,000.00 in compensatory damages, \$75,000.00 in lost opportunity costs, \$750,000.00 in punitive damages, and reimbursement of \$50,000.00 for attorney's fees and costs.

Respondent Gruntal & Co., LLC requested dismissal of the Claimants' Statement of Claim in its entirety.

Respondent SG Cowen Securities Corporation's Statement of Answer did not request any specific relief.

OTHER ISSUES CONSIDERED AND DECIDED

On November 22, 1999, the NASD Dispute Resolution, Inc. received notice from Claimants that all claims against Respondents William Oakleigh Triebel, SG Cowen Securities Corporation, and Gruntal & Co., LLC. were withdrawn with prejudice.

Upon review of the file and the representations made on behalf of the Claimants, the undersigned Panel determined that Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc. have been properly served with the Statement of Claim and received due notice of the hearing. The arbitration of the matter proceeded without the Respondents and in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., did not file with the NASD Dispute Resolution, Inc. a properly executed submission agreement but are required to submit to arbitration pursuant to the Code and bound by the determination of the Panel.

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. The Panel finds that Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., were served with the Statement of Claim and given notice of the time and place of this hearing.
2. Among other findings, the Panel specifically finds that Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., have committed fraud and are in violation of common law and statutory 10(b)5 fraud.
3. Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., are jointly and severally liable to and shall pay Claimants \$192,000.00 in compensatory damages.
4. Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, Klein, Maus & Shire, Inc. are jointly and severally liable to and shall pay Claimants \$42,000.00 in lost opportunity costs.
5. Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., are jointly and severally liable to and shall pay Claimants \$100,000.00 in punitive damages pursuant to California Civil Code Section 3294.
6. Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., are jointly and severally liable to and shall pay Claimants \$2,400.00 for costs of arbitration.
7. Respondents Maurice (Mike) Arthur Gross, Mohammad Ali Khan, and Klein, Maus & Shire, Inc., are jointly and severally liable to and shall pay Claimants \$89,760.00 for attorney's fees pursuant to New York General Business Law Section 349 and supporting case authority.

8. All other relief requested and not granted is expressly denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee	= \$ 375.00
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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 event of the dispute. Accordingly, the member firm Klein, Maus & Shire, Inc. is a party and the following fees are assessed:

Member Surcharge	= \$ 2,000.00
Pre-Hearing Process Fee	= \$ 600.00
<u>Hearing Process Fee</u>	<u>= \$ 3,500.00</u>
Total Member Fees	= \$ 6,100.00

The member firm Gruntal & Co., LLC is a party and the following fees are assessed:

Member Surcharge	= \$ 2,000.00
<u>Pre-Hearing Process Fee</u>	<u>= \$ 200.00</u>
Total Member Fees	= \$ 2,200.00

The member firm SG Cowen Securities Corporation is a party and the following fees are assessed:

Member Surcharge	= \$ 2,000.00
<u>Pre-Hearing Process Fee</u>	<u>= \$ 200.00</u>
Total Member Fees	= \$ 2,200.00

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 Panel. The following fees are assessed:

One Pre-Hearing conference session with the Panel @ \$1,200.00/session	= \$ 1,200.00
Pre-hearing conference: May 30, 2000 1 session	
One Telephonic Hearing session @ \$1,200.00/session	= \$ 1,200.00
Hearing: August 1, 2000 1 session	
Total Forum Fees	= \$ 2,400.00

The Panel assessed \$ 2,400.00 of the forum fees jointly and severally to Claimants.

Fee Summary

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

Initial Filing Fee	= \$ 375.00
<u>Forum Fees</u>	<u>= \$ 2,400.00</u>
Total Fees	= \$ 2,775.00
<u>Less payments</u>	<u>=(1,700.00)</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 1,075.00

2. Respondent Gruntal & Co. LLC is charged with the following fees and costs:

Member Fees	= \$ 2,200.00
<u>Less payments</u>	<u>=(3,100.00)</u>
Refund Due Gruntal & Co., LLC	= \$(900.00)

3. Respondent SG Cowen Securities Corporation is charged with the following fees and costs:


Member Fees	= \$ 2,200.00
<u>Less payments</u>	<u>=(3,100.00)</u>
Refund Due SG Cowen Securities Corporation	= \$(900.00)

4. Respondent Klein, Maus & Shire, Inc. is charged with the following fees and costs:

<u>Member Fee</u>	<u>= \$ 6,100.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$ 6,100.00

All balances are payable to NASD Dispute Resolution, Inc. and are due within 30 days of the Award's date of service.

Concurring Arbitrators' Signatures



Doug L. Stenzel, Esq.
Chair, Public Arbitrator

8/11/2000
Signature Date

Robert A. Uhl, Esq.
Public Arbitrator

Signature Date


Dean Schneider
Non-Public Arbitrator

8-9-00
Signature Date

8/14/00
Date of Service

Concurring Arbitrators' Signatures

Doug L. Stenzel, Esq.
Chair, Public Arbitrator



Robert A. Uhl, Esq.
Public Arbitrator



Dean Schneider
Non-Public Arbitrator

Signature Date

8-12-00

Signature Date

8-9-00

Signature Date

Date of Service

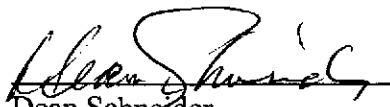
Concurring Arbitrators' Signatures

Doug L. Stenzel, Esq.
Chair, Public Arbitrator

Signature Date

Robert A. Uhl, Esq.
Public Arbitrator

Signature Date


Dean Schneider
Non-Public Arbitrator

8-9-00

Signature Date

Date of Service