

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Charles Schwab & Co., Inc., (Claimant) vs. Roseann Paulsen and Donald Paulsen,
(Respondents)

Case Number: 00-04579

Hearing Site: Albany, New York

REPRESENTATION OF PARTIES

Claimant, Charles Schwab & Co., Inc., hereinafter referred to as "Claimant": Richard A. Karoly, Esq., Corporate Attorney, Charles Schwab & Co., Inc., San Francisco, CA.

Respondents, Roseann Paulsen and Donald Paulsen, hereinafter collectively referred to as "Respondents", did not appear at the hearing in this matter.

CASE INFORMATION

Statement of Claim filed on or about: October 12, 2000.

Claimant signed the Uniform Submission Agreement: October 12, 2000.

Statement of Answer filed by Respondents on or about: February 5, 2001.

Respondents signed the Uniform Submission Agreement: February 5, 2001.

CASE SUMMARY

Claimant asserted the following causes of action: failure to meet a margin call resulting in an unsecured debit balance in Respondents' account. Claimant's claim involved the stocks of National Semiconductor Corporation and LSI Logic Corporation.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses: Respondents were following a trading strategy of writing covered calls, and advised Claimant in a June 15, 2000 telephone conversation that they expected to continue to employ the same strategy exclusively; the value of Respondents' total portfolio never declined enough to necessitate the margin maintenance call demanded by Claimant; the margin maintenance call in question was made solely at the discretion of Claimant; Claimant was made aware on or about June 15, 2000 of the trading strategy being employed by Respondents and raised no objections at the time; and Respondents suffered substantial losses after Claimant forced them to liquidate their portfolio.

RELIEF REQUESTED

Claimant requested:

- a. The sum of \$54,434.79 on the unsecured debit balance as a result of Respondents' failure to meet the margin maintenance requirements and the subsequent liquidation of their account;
- b. Interest on said principal balance at the rate of 9% per annum from and after August 1, 2000, through the present, said interest amounting to \$13.42 per day;
- c. A recovery of all costs, including but not limited to all NASD fees and travel costs;
- d. A recovery of all attorneys' fees; and
- e. Any other relief that the Panel deems just and proper.

Respondents requested that they be granted an Award sufficient to restore them to the financial position they would have enjoyed if they had been notified of Claimant's objections to their trading strategy during their conversation on or about June 15, 2000.

OTHER ISSUES CONSIDERED AND DECIDED

Upon review of the file and the representations made on behalf of Claimant, the undersigned arbitrators (the "Panel") determined that Respondents have been properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without Respondents present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

During the hearing in this matter, Claimant made a Motion for Default Judgement based on Respondents' failure to appear. The Panel granted said Motion.

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.

AWARD

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

1. Respondents be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$54,434.79 as compensatory damages, plus interest for the period of August 1, 2000 through August 25, 2001 totaling \$4,856.81.
2. Respondents be and hereby are jointly and severally liable for and shall pay to Claimant the sum of \$1,000.00, to reimburse Claimant for the filing fee previously paid to NASD Dispute Resolution, Inc.
3. All other requests for relief are hereby denied.

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	= \$1,000.00
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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 at the time of the events giving rise to the dispute. In this matter, Charles Schwab & Co., Inc. is a party.

Member surcharge	= \$1,000.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$1,500.00

Forum Fees and Assessments

The Panel assesses forum fees for each hearing session conducted. A hearing 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 a single arbitrator x \$450.00	= \$ 450.00
Pre-hearing conference: August 3, 2001	1 session

One (1) Pre-hearing session with Panel x \$750.00	= \$ 750.00
Pre-hearing conference: June 11, 2001 1 session	
One (1) Hearing session x \$750.00	= \$ 750.00
Hearing Date: August 24, 2001 1 session	
Total Forum Fees	= \$1,950.00

The Panel has assessed all of the forum fees jointly and severally against Respondents.

Fee Summary

1. Claimant be and hereby is solely liable for:

Initial Filing Fee	= \$1,000.00
<u>Member Fees</u>	<u>= \$3,100.00</u>
Total Fees	= \$4,100.00
<u>Less payments</u>	<u>= \$4,850.00</u>
Refund Due Claimant	= \$ 750.00

As stated in the "Award" section above, Respondents be and hereby are jointly and severally liable and shall reimburse Claimant for the \$1,000.00 filing fee.

2. Respondents be and hereby are jointly and severally liable for:

<u>Forum Fees</u>	<u>= \$1,950.00</u>
Total Fees	= \$1,950.00
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution, Inc.	= \$1,950.00

All balances are due and payable to NASD Dispute Resolution, Inc.

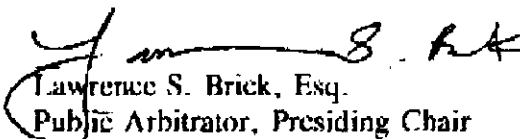
NASD Dispute Resolution, Inc.
Arbitration No. 00-01579
Award Page 5

ARBITRATION PANEL

Lawrence S. Brick, Esq.	-	Public Arbitrator, Presiding Chair
Carol E. Weir, Esq.	-	Public Arbitrator
Michael Kiey, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

I, the undersigned arbitrator, do hereby affirm, pursuant to Article 7507 of the Civil Practice Law and Rules, that I am the individual described herein and who executed this instrument which is my award.


Lawrence S. Brick, Esq.
Public Arbitrator, Presiding Chair

Oct. 7, 2001
Signature Date

Carol E. Weir, Esq.
Public Arbitrator

Signature Date

Michael Kiey, Esq.
Industry Arbitrator

Signature Date

October 12, 2001

Date of Service (For NASD office use only)

ARBITRATION PANEL


Lawrence S. Brick, Esq.	-	Public Arbitrator, Presiding Chair
Carol E. Weir, Esq.	-	Public Arbitrator
Michael Kiey, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

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Lawrence S. Brick, Esq.
Public Arbitrator, Presiding Chair

Signature Date


Carol E. Weir, Esq.
Public Arbitrator

10/4/01
Signature Date

Michael Kiey, Esq.
Industry Arbitrator

Signature Date

October 12, 2001
Date of Service (For NASD office use only)

ARBITRATION PANEL

Lawrence S. Brick, Esq.	-	Public Arbitrator, Presiding Chair
Carol E. Weir, Esq.	-	Public Arbitrator
Michael Kiey, Esq.	-	Industry Arbitrator

Concurring Arbitrators' Signatures

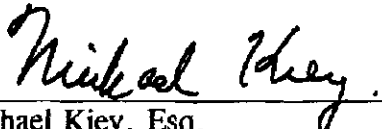
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Lawrence S. Brick, Esq.
Public Arbitrator, Presiding Chair

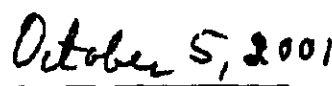
Signature Date

Carol E. Weir, Esq.
Public Arbitrator

Signature Date



Michael Kiey, Esq.
Industry Arbitrator



Signature Date

October 12, 2001

Date of Service (For NASD office use only)