

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

Case Number: 01-00242

Marion L. Zorn;
Skylark Vending Profit Sharing Trust;
James H. and Judy Dryja;
Ellen G. Yaeger; and
Rudolf A. and Hildegard A. Heinrich

Name of the Respondents

Hearing Site: Indianapolis, Indiana

Prentice Securities Inc.;
Louis M. Kornman; and
Timothy D. Morales

REPRESENTATION OF PARTIES

Claimants Marion L. Zorn ("Zorn"), Skylark Vending Profit Sharing Trust ("Skylark"), James H. and Judy Dryja ("Dryja"), Ellen G. Yaeger ("Yaeger"), and Rudolf A. and Hildegard A. Heinrich ("Heinrich"), hereinafter collectively referred to as "Claimants": Sean Lanphier, Esq. of Michael Best & Friedrich LLP, located in Milwaukee, Wisconsin and Michael Huberman, Esq. of Michael Huberman and Associates, located in La Quinta, California.

Respondents Prentice Securities Inc. ("Prentice"), Louis M. Kornman ("Kornman") and Timothy D. Morales ("Morales"), hereinafter collectively referred to as "Respondents": David J. Hase, Esq. of Cook & Franke S.C., located in Milwaukee, Wisconsin.

CASE INFORMATION

Statement of Claim filed: January 17, 2001.

Claimants signed the Uniform Submission Agreements on or about: January 3, 2001.

Statement of Answer filed by Respondents: March 19, 2001.

Respondent Prentice signed the Uniform Submission Agreement: March 9, 2001.

Respondent Kornman signed the Uniform Submission Agreement: March 9, 2001.

Respondent Morales did not file an executed Uniform Submission Agreement.

Claimants' Motion for Leave to Amend filed: January 14, 2002.

Respondents' Response to the Motion for Leave to Amend filed: January 28, 2002.

CASE SUMMARY

Claimants asserted the following causes of action: breach of fiduciary duty; negligence; violation of Federal and State securities laws; violation of the NASD Rules of Fair Practice and the NYSE Rules; material misrepresentations and statements of omission; lack of supervision; and breach of contract. The causes of action resulted from the recommendation and solicitation to purchase volatile, speculative and low rated Corporate Bonds.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses:

1. Each of the Claimants understood the risk that investments in high yield corporate debt securities could result in losses, and each understood the risk of loss inherent in the corporate debt securities market; and with knowledge of those risks, they willingly assumed them.
2. To the extent that Claimants have suffered any losses as a result of the investments made in their accounts at Prentice, any damages resulting from such losses were caused by their respective failures to exercise due care in the management of their affairs, and by reason of their failure to exercise such due diligence with respect to their investments as would be expected of a reasonable person in the same circumstances.
3. To the extent that Claimants have stated claims for relief and have sustained any damages, they have failed to mitigate those damages.
4. To the extent that Claimants have stated claims for relief, they are barred by the doctrines of waiver, estoppel and laches from asserting any such claim by reason of their failures to make complaint to Respondents within a reasonable time after receiving confirmation of the transactions complained of.
5. Some or all of the claims made herein are barred by the applicable statutes of limitations and provisions of the NASD Code of Arbitration Procedure.
6. The rules and regulations of the Self Regulatory Organizations do not afford a basis for a private cause of action and therefore Claimants have failed to state a claim for relief to the extent they rely on such rules and regulations as a basis for their respective claims.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages
Interest
Attorneys' Fees

\$300,466.58.
Per Wisconsin Statute.
Per Wisconsin Statute.

Respondents requested that all of the claims asserted be denied on the merits and that an award be made in their favor dismissing the claims and granting them their costs and forum fees.

OTHER ISSUES CONSIDERED AND DECIDED

Respondent Morales did not file with NASD Dispute Resolution, a properly executed submission to arbitration but is required to submit to arbitration pursuant to the Code and, having answered the claim, appeared and testified at the hearing, is bound by the determination of the Panel on all issues submitted.

On February 22, 2002, the panel granted Claimants' Motion for Leave to Amend.

Prior to hearing, the Respondents filed a motion to change venue, arguing that the hearing should be held in Detroit, Michigan. The Panel denied the motion at hearing.

In addition, at hearing the Respondents made a motion to prevent the Claimants from using any documents obtained from the Respondents because the Claimants had not reimbursed the Respondents for the copying charges they incurred in responding to Claimants' document request as ordered by the Panel on February 22, 2002. The Panel denied that portion of the motion asking that the documents not be used, and the Panel ordered that the Claimants pay the Respondents' copying charges at or before the end of the hearing.

AWARD

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

1. Respondents Prentice Securities Inc., Louis M. Kornman, and Timothy D. Morales are jointly and severally liable for and shall pay to Claimant Marion L. Zorn the sum of \$20,000.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to accrue the date on which the award, plus interest, is paid in full;
2. Respondents Prentice Securities Inc. and Louis M. Kornman are jointly and severally liable for and shall pay to Claimant Skylark Vending Profit Sharing Trust the sum of \$69,500.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to accrue the date on which the award, plus interest, is paid in full;
3. Respondents Prentice Securities Inc., Louis M. Kornman, and Timothy D. Morales are jointly and severally liable for and shall pay to Claimants James H. and Judy Dryja the sum of \$7,000.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to accrue the date on which the award, plus interest, is paid in full;
4. Respondents Prentice Securities Inc. and Louis M. Kornman are jointly and severally liable for and shall pay to Claimant Ellen G. Yaeger the sum of \$18,000.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to

- accrue the date on which the award, plus interest, is paid in full;
5. Respondents Prentice Securities Inc. and Louis M. Kornman are jointly and severally liable for and shall pay to Claimant Rudolf A. Heinrich the sum of \$22,000.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to accrue the date on which the award, plus interest, is paid in full;
 6. Respondents Prentice Securities Inc. and Louis M. Kornman are jointly and severally liable for and shall pay to Claimant Hildegard A. Heinrich the sum of \$11,000.00 as compensatory damages, plus interest on the unpaid balance at the rate of 5% per annum accruing 120 days after the date of the award and ceasing to accrue the date on which the award, plus interest, is paid in full;
 7. The parties shall pay their own costs of arbitration, including any attorneys' fees, except for those specifically enumerated herein; and
 8. Any and all relief not specifically addressed herein is denied.

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	= \$ 300.00
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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 persons at the time of the events giving rise to the dispute. Accordingly, Prentice Securities Inc. is a party and the following member fees are assessed:

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 600.00
Hearing process fee	= \$ 2,500.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

February 11-15, 2002 adjournment by Respondents	= \$ 1,125.00
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Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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:

Six (6) Hearing sessions @ \$1,125.00	= \$ 6,750.00
Hearing Dates: August 19, 2002	2 sessions
August 20, 2002	2 sessions
August 21, 2002	2 sessions
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Total Forum Fees	= \$ 6,750.00

The Panel has assessed \$3,375.00 of the forum fees jointly and severally to Claimants Marion L. Zorn, Skylark Vending Profit Sharing Trust, James H. and Judy Dryja, Ellen G. Yaeger and Rudolf A. and Hildegard A. Heinrich. In addition, the Panel has assessed \$3,375.00 of the forum fees jointly and severally to Respondents Prentice Securities Inc., Louis M. Kornman and Timothy D. Morales.

EEE SUMMARY

Claimants Marion L. Zorn, Skylark Vending Profit Sharing Trust, James H. and Judy Dryja, Ellen G. Yaeger and Rudolf A. and Hildegard A. Heinrich are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
Forum Fees	= \$ 3,375.00
Total Fees	= \$ 3,675.00
Less payments	= \$ 7,425.00
Refund Due from NASD Dispute Resolution	= \$ 3,750.00

Respondent Prentice Securities Inc. is solely liable for:

Member Fees	= \$ 4,600.00
Less payments	= \$ 4,600.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents Prentice Securities Inc., Louis M. Kornman and Timothy D. Morales are jointly and severally liable for:

Adjournment Fee	= \$ 1,125.00
Forum Fees	= \$ 3,375.00
Total Fees	= \$ 4,500.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 4,500.00

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

ARBITRATION PANEL

John Fennig, Esq. - Public Arbitrator, Presiding Chairperson

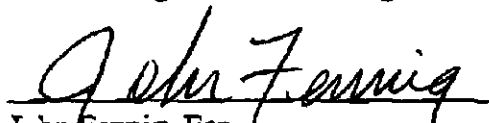
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Michael F. Jordan, Esq. - Public Arbitrator

Brian E. Slotky - Non-Public Arbitrator

Concurring Arbitrators' Signatures

John Fennig, Esq.

Public Arbitrator, Presiding Chairperson

10/3/02

Signature Date

Michael F. Jordan, Esq.

Public Arbitrator

Signature Date

Brian E. Slotky

Non-Public Arbitrator

Signature Date

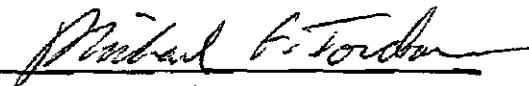
10/10/02 
Date of Service (For NASD Dispute Resolution office use only)

Michael F. Jordan, Esq. - Public Arbitrator
Brian E. Slotky - Non-Public Arbitrator

Concurring Arbitrators' Signatures

John Fennig, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date



Michael F. Jordan, Esq.
Public Arbitrator

10-1-02

Signature Date

Brian E. Slotky
Non-Public Arbitrator

Signature Date

10/10/02 

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Brian E. Slotky - Non-Public Arbitrator

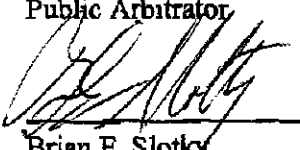
Concurring Arbitrators' Signatures

John Fennig, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Michael F. Jordan, Esq.
Public Arbitrator

Signature Date



Brian E. Slotky
Non-Public Arbitrator

10-7-02

Signature Date

10/10/02 

Date of Service (For NASD Dispute Resolution office use only)