

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Name of the Claimant
Kevin Hodgson

Case Number: 01-02922

Name of the Respondents
Royal Hutton Securities Corp.;
Andrew R. Razzore;
Jeffrey M. Schofield; and
Richard Anthony Scarsella

Hearing Site: Milwaukee, Wisconsin

REPRESENTATION OF PARTIES

Claimant Kevin Hodgson was represented by J. Thomas Haley, Esq., of the firm of Haley Palmersheim, S.C., located in Middleton, Wisconsin.

Respondent Royal Hutton Securities Corp. ("RHS") did not appear at hearing.

Respondent Andrew R. Razzore ("Razzore") was represented by Vincent J. Martinelli, Esq., of the Law Offices of Vincent J. Martinelli located in Staten Island, New York.

Respondent Jeffrey M. Schofield ("Schofield") represented himself.

Respondent Richard Anthony Scarsella ("Scarsella") represented himself.

CASE INFORMATION

Statement of Claim filed: June 1, 2001.

Claimant signed the Uniform Submission Agreement: May 27, 2001.

Respondent RHS did not file a Statement of Answer or an executed Uniform Submission Agreement.

Statement of Answer filed by Respondent Razzore on or about: August 10, 2001.

Respondent Razzore signed the Uniform Submission Agreement: August 10, 2001.

Respondent Schofield did not file a Statement of Answer or an executed Uniform Submission Agreement.

Statement of Answer and Motion to Dismiss filed by Respondent Scarsella on or about: January

4, 2002.

Respondent Scarsella did not file an executed Uniform Submission Agreement.

CASE SUMMARY

Claimant asserted the following causes of action against Respondent Razzore:

1. Strict liability under Wis. Stats. §§551.21 and 551.59 for the sale of unregistered securities in the State of Wisconsin;
2. Failure to execute the sale of WWDI stock when requested to do so by Hodgson;
3. Failure to purchase shares of PWRX when requested to do so and for making an untrue statement that the PWRX shares had been sold at the same price at which they had been purchased;
4. Employing a scheme to convince Hodgson to buy and sell BIOP in successive trades, causing Hodgson to suffer losses;
5. The unauthorized trading of MODM on behalf of Hodgson;
6. Breach of fiduciary duty to Hodgson; and
7. Making untrue statements concerning other trades made on Hodgson's behalf.

Claimant asserted the following causes of action against Respondent RHS:]

1. Strict liability under Wis. Stats. §§551.21 and 551.59 for the sale of unregistered securities in the State of Wisconsin;
2. Failure to supervise its sales representative and under the theory of respondeat superior;
3. Breach of fiduciary duty to Hodgson in not properly supervising Razzore and not taking remedial action when the problems were brought to its attention ; and,
4. Employing a scheme or device which encouraged or required its agents to conduct trading which was contrary to the best interest of its customers.

Claimant asserted liability against Respondents Schofield and Scarsella under Wis. Stats. §551.59(4), which establishes joint and several liability for control persons.

Unless specifically admitted in its Answer, Respondent Razzore denied the allegations made in the Statement of Claim and asserted the following defenses:

1. Claimant had knowledge of and assumed the risks incident to investing in the securities market, including the risk of losing a substantial part, if not all, of his investment;
2. Any damages sustained by Claimant were the result of conditions or events beyond the control of Razzore, and were a direct result of the speculative nature of the stock market;
3. Any liability for the sale of unregistered stocks is the result of the Issuer of the

security and Razzore had no knowledge, not could he have reasonably acquired the knowledge sufficient to confer liability under the statute;

4. Claimant ratified all trades both expressly, and by failing to object in any reasonable period of time; and,
5. Claimant only lost approximately \$18,000.00 at the time Razzore left the firm and it was only after Razzore stopped managing the account that it depreciated most significantly.

Unless specifically admitted in its Answer, Respondent Scarsella asserted that he did not work for RHS during the time period in question, nor did he supervise Razzore when he was employed at RHS.

RELIEF REQUESTED

Claimant Hodgson requested:

Compensatory Damages	\$197,529.52
Punitive Damages	\$200,000.00
Interest	Statutory Amount
Attorneys' Fees	Actual Amount
Other Costs	Unspecified Amount

Respondent Razzore requested an award in his favor and against Claimant, as well as costs, fees and such other relief as the Panel deemed fair and equitable.

Respondent Scarsella requested that the claims against him be dismissed.

OTHER ISSUES CONSIDERED AND DECIDED

On February 11, 2002, Claimant dismissed his claim against Respondent Scarsella. On February 21, 2002, Claimant dismissed his claims against Respondent Schofield.

Upon review of the file and the representations made on behalf of the Claimant, the Panel determined that Respondent Royal Hutton Securities Corp. was properly served with the Statement of Claim and received due notice of the hearing, and that arbitration of the matter would proceed without said Respondent present, in accordance with the NASD Code of Arbitration Procedure (the "Code").

Respondents RHS, Schofield and Scarsella did not file with NASD Dispute Resolution, Inc. a properly executed submission to arbitration but are required to submit to arbitration pursuant to the Code and are bound by the determination of the Panel on all issues submitted.

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 Royal Hutton Securities Corp. and Andrew R. Razzore are jointly and severally liable for and shall pay to the Claimant, Kevin Hodgson, the sum of \$141,241.00 as compensatory damages, plus interest at the rate of 5% per annum accruing from June 1, 2001 until the sum is paid in full;
2. In addition, Respondents Royal Hutton Securities Corp. and Andrew R. Razzore are jointly and severally liable for and shall pay to the Claimant, Kevin Hodgson, the sum of \$10,000.00 as attorneys' fees. In deciding to award attorneys' fees, the panel considered the arguments of the parties, as well as the pleadings and post-hearing briefs, and determined that authority existed for an award of attorneys' fees to the Claimant;
3. The claims against Respondents Jeffrey M. Schofield and Richard Anthony Scarsella are dismissed;
4. The parties shall bear their own costs of arbitration, including any additional attorneys' fees, except for those sums specifically enumerated herein; and
5. Any and all relief not specifically addressed herein, including punitive damages, is 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	= \$ 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, Royal Hutton Securities Corp. is a party and was assessed the following member fees:

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

However, based upon the termination of Royal Hutton Securities Corp.'s membership, the fees have been waived by NASD Dispute Resolution, Inc.

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed: None.

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:

Two (2) Pre-hearing sessions with Panel @ \$1,125.00	= \$2,250.00
Pre-hearing conference: October 23, 2001 1 session	
December 3, 2001 1 session	
Two (2) Hearing sessions @ \$1,125.00	= \$2,250.00
Hearing Date: April 5, 2002 2 sessions	
Total Forum Fees	= \$4,500.00

The Panel has assessed \$4,500.00 of the forum fees jointly and severally to Respondents Royal Hutton Securities Corp. and Andrew R. Razzore.

SEE SUMMARY

Claimant Kevin Hodgson is solely liable for:

Initial Filing Fee	= \$ 300.00
Less payments	= \$1,425.00
Refund Due from NASD Dispute Resolution, Inc.	= \$1,125.00

Respondent Royal Hutton Securities Corp. is solely liable for:

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

Respondents Royal Hutton Securities Corp. and Andrew R. Razzore are jointly and severally liable for:

Forum Fees	= \$4,500.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution, Inc.	= \$4,500.00

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

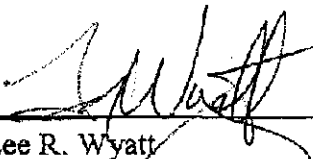
ARBITRATION PANEL

Lee R. Wyatt - Non-Public Arbitrator, Presiding Chairperson

John Fennig, Esq. - Public Arbitrator

Willis J. Zick, Esq. - Public Arbitrator

Concurring Arbitrators' Signatures



Lee R. Wyatt
Non-Public Arbitrator, Presiding Chairperson

June 11, 2002
Signature Date

John Fennig, Esq.
Public Arbitrator

Signature Date

Willis J. Zick, Esq.
Public Arbitrator

Signature Date

6/25/02 WJZ
Date of Service (For NASD Dispute Resolution office use only)

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John Fennig, Esq. - Public Arbitrator


Willis J. Zick, Esq. - Public Arbitrator

Concurring Arbitrators' Signatures

Lee R. Wyatt

Non-Public Arbitrator, Presiding Chairperson

Signature Date



John Fennig, Esq.
Public Arbitrator

6/17/02
Signature Date

Willis J. Zick, Esq.
Public Arbitrator

Signature Date

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Public Arbitrator

Signature Date
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Signature Date

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