

**AWARD**  
**NASD Dispute Resolution**

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In the Matter of the Arbitration Between

**Claimant**

Intercultural Student Experiences

v.

02-05633

Minneapolis, Minnesota

**Respondents**

Wells Fargo Investments, LLC and Gregory A. Stauffer

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Nature of Dispute: Customer v. Member and Associated Person

**REPRESENTATION OF PARTIES**

Intercultural Student Experiences ("Claimant") was represented by Thomas H. Goodman, Esq., of Siegel, Brill, Greupner, Duffy & Foster, P.A., Minneapolis, Minnesota.

Wells Fargo Investments, LLC ("Wells Fargo") and Gregory A. Stauffer ("Stauffer") hereinafter referred to as ("Respondents"), were represented by Gilbert R. Serota, Esq., of Howard, Rice, Nemerovski, Canady, Falk & Rabkin, San Francisco, California.

**CASE INFORMATION**

The Statement of Claim was filed on or about September 19, 2002. Submission Agreement of Claimant Intercultural Student Experiences was signed on or about September 13, 2002.

A Joint Statement of Answer was filed by Respondents Wells Fargo Investments, LLC and Gregory A. Stauffer on or about November 13, 2002. No Submission Agreements were submitted by Respondents Wells Fargo Investments, LLC or Gregory A. Stauffer.

**CASE SUMMARY**

Claimant asserted the following causes of action: breach of fiduciary duty, suitability, failure to supervise and misrepresentation. The causes of action related to Claimant's allegation that Respondents made unsuitable recommendations to buy Certificates of Deposit issued by NextBank, N.A. Claimants asserted that after the investments were made, the United States Comptroller of Currency closed the NextBank, and except for the FDIC insured value of \$100,000, the CD's became worthless. Claimant further alleged that Respondents knew or should have known not to recommend more than a \$100,000 deposit in any single FDIC insured institution.

Respondents denied the allegations set forth in the Statement of Claim and asserted affirmative defenses including the following: Claimant's claims are barred as a matter of law by the Claimant's express and knowing assumption of the risk of purchasing CD's in amounts greater than the maximum federal insurance; Claimant's claims are barred by the doctrines of waiver, estoppel, and ratification in that Claimant failed to make any timely objection or complaint to the purchase of the CD's, and only objected after the issuer defaulted on the CD's; and all of the Claimants' claims are barred, in whole or in part, by the doctrine of contributory and comparative negligence in that Claimant's representatives made the disputed purchases in full knowledge of the risks and, as officers and fiduciaries of a non-profit corporation, were under a duty themselves to conduct a reasonable investigation.

### **RELIEF REQUESTED**

Claimant requested an award in the amount of \$500,000 in compensatory damages. In addition, Claimant requested punitive damages of \$100,000, interest, attorney's fees, costs and any other relief that the Panel deemed just and equitable.

Respondents requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees. In addition, Respondents requested the expungement of any record of this proceeding from the CRD of Gregory A. Stauffer.

### **OTHER ISSUES CONSIDERED & DECIDED**

Respondents Wells Fargo Investments, LLC and Gregory A. Stauffer did not file with NASD Dispute Resolution a properly executed submission to arbitration but are required to submit to arbitration pursuant to Rule 10301 of NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing are bound by the determination of the arbitration panel on all issues submitted.

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. In either case, the parties have agreed to receive conformed copies of the award while the originals remain on file with NASD Dispute Resolution ("NASD").

### **AWARD**

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

1. Claimant's claims, each and all, are hereby denied and dismissed in their entirety;

2. The Panel recommends the expungement of all reference to the above captioned arbitration from Respondent Gregory A. Stauffer's registration records maintained by the NASD Central Registration Depository ("CRD"), with the understanding that pursuant to NASD Notice to Members 99-09 and 99-54, Respondent Gregory A. Stauffer must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive;
3. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief, including punitive damages, by any party hereto are denied with prejudice; and
4. Other than the Forum Fees noted below, the parties shall each bear all other costs and expenses incurred by them in connection with this proceeding, including but not limited to attorneys' fees.

### **FEES**

Pursuant to the Code, the following fees are assessed:

#### **Filing Fees**

NASD Dispute Resolution will retain the non-refundable filing fees for each claim:

Initial claim filing fee = \$ 375

#### **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, the member firm is Wells Fargo Investments, LLC.

Member surcharge = \$ 2,250  
Pre-hearing process fee = \$ 750  
Hearing process fee = \$ 4,000

#### **Forum Fees and Assessments**

The Arbitration 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 Panel x \$ 1,200 = \$ 1,200

Pre-hearing conference: 04/01/2003 1 session

Five (5) Hearing sessions x \$ 1,200 = \$ 6,000

Hearing Dates: 09/24/2003 2 sessions  
09/25/2003 2 sessions  
09/26/2003 1 session

Total Forum Fees = \$ 7,200

The Arbitration Panel has assessed \$ 3,600 of the forum fees to Intercultural Student Experiences.

The Arbitration Panel has assessed \$ 3,600 of the forum fees to Wells Fargo Investments, LLC.

Fee Summary

Claimant, Intercultural Student Experiences, is liable for:

Initial Filing Fee	= \$ 375
Forum Fees	= \$ 3,600
<u>Total Fees</u>	<u>= \$ 3,975</u>
<u>Less payments</u>	<u>= \$ 1,575</u>
Balance Due NASD Dispute Resolution	= \$ 2,400

Respondent, Wells Fargo Investments, LLC, is liable for:

Member Fees	= \$ 7,000
Forum Fees	= \$ 3,600
<u>Total Fees</u>	<u>= \$ 10,600</u>
<u>Less payments</u>	<u>= \$ 7,000</u>
Balance Due NASD Dispute Resolution	= \$ 3,600

All balances are due to NASD Dispute Resolution pursuant to Rule 10330(g) of the Code of Arbitration

**ARBITRATION PANEL**

Andrew R. Dick, Esq. - Public Arbitrator, Presiding Chair

Arthur H. Cobb - Public Arbitrator

Scott R. Jensen - Non-Public Arbitrator

**Concurring Arbitrators:**

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Andrew R. Dick, Esq.  
Public Arbitrator, Presiding Chair

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Signature Date

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Arthur H. Cobb  
Public Arbitrator

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Signature Date

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Scott R. Jensen  
Non-Public Arbitrator

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Signature Date

11/20/03  
Date of Service (NASD use only)

**ARBITRATION PANEL**

Andrew R. Dick, Esq. - Public Arbitrator, Presiding Chair  
Arthur H. Cobb - Public Arbitrator  
Scott R. Jensen - Non-Public Arbitrator

Concurring Arbitrators



Andrew R. Dick, Esq.  
Public Arbitrator, Presiding Chair

10-17-03

Signature Date

Arthur H. Cobb  
Public Arbitrator

Signature Date

Scott R. Jensen  
Non-Public Arbitrator

Signature Date

10/20/03

Date of Service (NASD use only)

**ARBITRATION PANEL**

Andrew R. Dick, Esq. - Public Arbitrator, Presiding Chair  
Arthur H. Cobb - Public Arbitrator  
Scott R. Jensen - Non-Public Arbitrator

**Concurring Arbitrators**

Andrew R. Dick, Esq.  
Public Arbitrator, Presiding Chair

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Arthur H. Cobb  
Public Arbitrator

Scott R. Jensen  
Non-Public Arbitrator

Signature Date

*October 8, 2003*

Signature Date

Signature Date

*10/24/03*  
Date of Service (NASD use only)

ARBITRATION PANEL

Andrew R. Dick, Esq. - Public Arbitrator, Presiding Chair  
Arthur H. Cobb - Public Arbitrator  
Scott R. Jensen - Non-Public Arbitrator

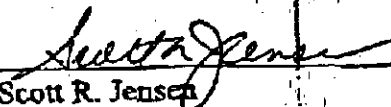
Concurring Arbitrators:

Andrew R. Dick, Esq.  
Public Arbitrator, Presiding Chair

Signature Date

Arthur H. Cobb  
Public Arbitrator

Signature Date

  
Scott R. Jensen  
Non-Public Arbitrator

10/19/03  
Signature Date

10/20/03  
Date of Service (NASD use only)