

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Susan Inwald and the Susan Inwald
Irrevocable Trust

and

Case Number: 03-01269
Hearing Site: Southfield, Michigan

Names of Respondents

Prudential Equity Group, LLC
Pruco Securities Corp.
Michael D. Krane
Prudential Securities, the Prudential
Insurance Co. of America, Pruco Life
Insurance Company, and Pruco Life Insurance

NATURE OF DISPUTE

Customers v. Members, Associated Person, and Non-Members

REPRESENTATION OF PARTIES

Susan Inwald and the Susan Inwald Irrevocable Trust ("Claimants") were represented by Anthony V. Trogan, Esq., and Lysa Postula-Stein, Esq., Anthony Trogan, PLLC, West Bloomfield, Michigan.

Prudential Equity Group, LLC ("PEG"), Pruco Securities Corp. ("Pruco"), Michael D. Krane ("Krane"), Prudential Securities ("PruSec"), the Prudential Insurance Co. of America, ("Prulns"), Pruco Life Insurance Company, ("Pruco Life Ins Co") and Pruco Life Insurance ("Pruco Life") were represented by Robert A. W. Boraks, Esq., and Benjamin Lambiotte, Esq., Garvey, Schubert, Barer, Washington, D.C.

CASE INFORMATION

The Statement of Claim was filed on or about February 21, 2003. The Submission Agreement of Claimant Susan Inwald and the Susan Inwald Irrevocable Trust was signed on or about February 11, 2003.

Statement of Answer was filed jointly by all Respondents on or about May 19, 2003.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, unsuitability, common law fraud, breach of fiduciary duty, common law negligence, breach of Michigan securities and insurance laws, and malpractice. The causes of action relate to Claimant, Susan Inwald's, purchase of a variable life insurance policy from Respondents for estate planning purposes. Claimants alleged that, at Respondents' suggestion, Claimant, Susan Inwald, purchased a life insurance policy with a single \$1,200,000.00 paid up premium which would provide a death benefit of \$6,300,000.00. Susan Inwald then gifted the policy to the irrevocable trust which is a Claimant in this matter. Claimants asserted that Respondents assured Claimants that Respondents could produce a 10% return on the original investment necessary to provide the \$6,300,000.00 death benefit.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: the Statement of Claim fails to state a claim on which relief may be granted; Claimants claims are barred by applicable statutes of limitation; Claimants were supplied, prior to their purchase of a variable life insurance policy, with a prospectus and other writings which fully and clearly set forth all the pertinent facts, including the risks associated therewith; and any failure of the variable life insurance policy to perform up to Claimants' expectations was a function of the performance of the investments, not any misconduct of Respondents.

RELIEF REQUESTED

Claimants approximated their compensatory claims at \$499,000.00 in their filing papers. Claimants requested an award designed to make Claimants whole, either by an award of appropriate damages for what has been lost, rescission, an award which requires Respondents to keep a comparable policy in force with a minimum death benefit of \$6,300,000.00 until the time of Susan Inwald's death, plus the award of punitive and exemplary damages, interest and attorney fees. At hearing, Claimants also requested the return of the \$1,200,000.00 premium plus interest compounded at 6% per annum from the date the premium.

Respondents requested that the claims asserted against them be dismissed in their entirety and that they be awarded their costs and attorneys' fees, that Respondent Krane's CRD record be expunged of all references to this claim, and such other relief as just requires.

OTHER ISSUES CONSIDERED & DECIDED

Respondents Prudential Equity Group, LLC, Pruco Securities Corp., and Michael D. Krane, did not file with the NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to Rule 10301 of the 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.

Respondents Prudential Securities, the Prudential Insurance Co. of America, Pruco Life Insurance Company, and Pruco Life Insurance did not file with the NASD Dispute Resolution properly executed submissions to arbitration but 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 original(s) 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.) Claimants' claims, each and all, are dismissed and denied with prejudice;
- 2.) That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;
- 3.) That any relief not specifically enumerated, including punitive damages, expungement, and attorney fees, is hereby denied with prejudice.

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

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firms that employed the associated persons at the time of the events giving rise to the dispute. In this matter, the member firms are Prudential Equity Group, LLC. and Pruco Securities Corp.

Member surcharge = \$1,700.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$2,750.00

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 arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with Panel x \$1,125.00	= \$1,125.00
Pre-hearing conference: September 22, 2003 1 session	
Seven (7) Hearing sessions x \$1,125.00	= \$7,875.00
Hearing Dates: May 4, 2004 2 sessions	
May 5, 2004 2 sessions	
May 6, 2004 2 sessions	
May 10, 2004 1 session	
Total Forum Fees	= \$9,000.00

The Arbitration Panel has assessed \$9,000.00 of the forum fees jointly and severally to Susan Inwald and the Susan Inwald Irrevocable Trust.

Fee Summary

Claimants, Susan Inwald and the Susan Inwald Irrevocable Trust, are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
Forum Fees	= \$ 9,000.00
Total Fees	= \$ 9,300.00
Less payments	= \$ 1,425.00
Balance Due NASD Dispute Resolution	= \$ 7,875.00

Respondent, Prudential Equity Group, LLC, is liable for:

Member Fees	= \$ 5,200.00
Total Fees	= \$ 5,200.00
Less payments	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondent, Pruco Securities Corp., is liable for:

Member Fees	= \$ 5,200.00
Total Fees	= \$ 5,200.00
Less payments	= \$ 5,200.00
Balance Due NASD Dispute Resolution	= \$ 0.00

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

ARBITRATION PANEL

William P. Thorpe, Esq. - Public Arbitrator, Presiding Chair
Michael J. Meeusen, Esq. - Public Arbitrator
Ann D. Kuhna - Non-Public Arbitrator

Concurring Arbitrators:

/s/ William P. Thorpe, Esq.
William P. Thorpe, Esq.
Public Arbitrator, Presiding Chair

05/12/04
Signature Date

/s/ Michael J. Meeusen, Esq.
Michael J. Meeusen, Esq.
Public Arbitrator

05/12/04
Signature Date

/s/ Ann D. Kuhna
Ann D. Kuhna
Non-Public Arbitrator

05/12/04
Signature Date

05/12/04
Date of Service (For NASD office use only)

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ARBITRATION PANEL

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Michael J. Meeusen, Esq. - Public Arbitrator
Ann D. Kuhna - Non-Public Arbitrator

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Public Arbitrator, Presiding Chair

Signature Date


Michael J. Meeusen, Esq.
Public Arbitrator

5-12-04
Signature Date

Ann D. Kuhna
Non-Public Arbitrator

Signature Date

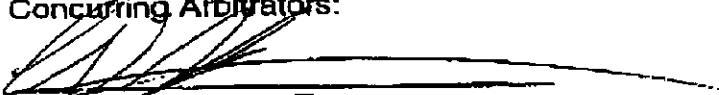
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Signature Date

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Ann D. Kuhna - Non-Public Arbitrator

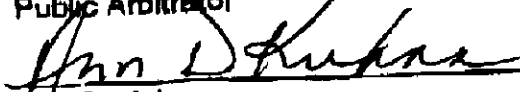
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5-12-04
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