

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Gregory and Donna Schultz

and

Case Number: 04-03253
Hearing Site: Chicago, Illinois

Names of Respondents

Peregrine Financials & Securities, Inc.,
Thomas Eugene Pearson,
Russell Ralph Wasendorf, Sr., and
Patrick S. Jage

NATURE OF DISPUTE

Customers v. Terminated Member Firm and Associated Persons

REPRESENTATION OF PARTIES

Gregory and Donna Schultz ("**Claimants**") were represented by April J. Lindauer, Esq., Shaheen, Novoselsky, Staat, Filipowski & Eccleston, P.C., Chicago, Illinois

Peregrine Financials & Securities, Inc. ("**Peregrine Financials**"), Thomas Eugene Pearson ("**Pearson**") and Russell Ralph Wasendorf, Sr. ("**Wasendorf**") were represented by Christopher L. Gallinari, Esq., Bellows and Bellows, Chicago, Illinois.

Patrick S. Jage ("**Jage**") of St. Charles, Illinois, did not make an appearance.

CASE INFORMATION

The Statement of Claim was filed on or about May 3, 2004. The Submission Agreement of Claimants, Gregory and Donna Schultz, was signed on or about April 27, 2004. Claimants' Motion to Dismiss and Answer to Respondents' Counterclaim was filed on or about August 16, 2004. Claimants' Response to Respondents' Motion to Dismiss the Statement of Claim was filed on or about October 20, 2004.

The Statement of Answer and Counterclaim for Fees and Costs was filed jointly by Respondents, Peregrine Financials & Securities, Inc., Thomas Eugene Pearson, and Russell Ralph Wasendorf, Sr., on or about July 28, 2004. The Submission Agreement of Respondent, Peregrine Financials & Securities, Inc., was signed on or about July 20, 2004.

The Submission Agreement of Respondent, Thomas Eugene Pearson, was signed on or about July 19, 2004. The Submission Agreement of Respondent, Russell Ralph Wasendorf, Sr., was signed on or about July 20, 2004. Respondents', Peregrine Financial, Pearson and Wasendorf, Response to Claimants' Motion to Dismiss their Counterclaim was filed on or about August 31, 2004. Respondents, Peregrine Financial, Pearson and Wasendorf, filed a Motion to Dismiss the Statement of Claim on or about August 31, 2004.

CASE SUMMARY

Claimants asserted the following causes of action: breach of contract, breach of fiduciary duty, omission, misrepresentation, and negligence. The causes of action related to the recommendation and purchase of various over-the-counter ("OTC") securities, including but not limited to Debbie Reynolds Hotel and Casino, Alpha Pro Tech, Ltd., OptimumCare Corporation, and Paracelsis, Inc. Claimants alleged Respondent Jage recommended purchasing these highly speculative purchases on margin and made misrepresentations regarding the growth and stability, along with the omission of negative information about the performance or financial status of the companies. By 2000, three of the equities Respondent Jage recommended were bankrupt.

Unless specifically admitted in their Answer, Respondents, Peregrine Financial, Pearson and Wasendorf, denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants failed to mitigate their damages; any losses suffered by Claimants were the direct result of market conditions or fluctuations beyond the control of these Respondents; Claimants' claims are barred by the doctrines of estoppel and laches; Claimants authorized and ratified all transactions in their account; and Claimants' claims are time barred by the NASD Rules and applicable statutes of limitations.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$703,000.00
Punitive/Exemplary Damages	Unspecified
Attorneys' Fees	Unspecified
Interest	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondents, Peregrine Financial, Pearson and Wasendorf, requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Upon review of the file and the representations on behalf of the Claimant, the undersigned arbitrators have determined that Respondent, Patrick S. Jage, has been properly served with the Statement of Claim pursuant to Rule 10302 and Rule 10314 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators have also determined that Respondent, Patrick S. Jage, had received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed pursuant to Rule 10318 of the Code.

Respondent, Patrick S. Jage, did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having submitted correspondence with NASD regarding this case is bound by the determination of the arbitration panel on all issues submitted.

On or about February 3, 2005, the Panel issued an Order that all motions filed by the parties to date were denied.

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.) Respondents, Peregrine Financials & Securities, Inc., Thomas Eugene Pearson, and Patrick S. Jage, are jointly and severally liable for and shall pay to Claimants, Gregory and Donna Schultz, the sum of \$100,000.00 in compensatory damages;
- 2.) Respondents, Peregrine Financials & Securities, Inc., Ralph Wasendorf, Sr., and Patrick S. Jage, are jointly and severally liable for and shall pay to Claimants, Gregory and Donna Schultz, the sum of \$100,000.00 in compensatory damages;
- 3.) The Counterclaim of Respondents for Fees and Costs is dismissed with prejudice;

- 4.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 5.) Any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

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

Initial claim filing fee = \$ 375.00

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. In this matter, the member firm is Peregrine Financials & Securities, Inc.

Member surcharge = \$ 2,250.00
Pre-hearing process fee = \$ 750.00
Hearing process fee = \$ 4,000.00

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

Two (2) Pre-hearing sessions with Panel x \$1,200.00 = \$ 2,400.00
Pre-hearing conferences: November 3, 2004 1 session
December 15, 2004 1 session

Eight (8) Hearing sessions x \$1,200.00 = \$ 9,600.00
Hearing Dates: August 23, 2005 2 sessions
August 24, 2005 2 sessions
August 25, 2005 2 sessions
September 9, 2005 2 sessions

Total Forum Fees = \$ 12,000.00

The Arbitration Panel has assessed \$6,000.00 of the forum fees jointly and severally to Gregory and Donna Schultz.

The Arbitration Panel has assessed \$6,000.00 of the forum fees jointly and severally to Peregrine Financials & Securities, Inc., Thomas Eugene Pearson, Russell Ralph Wasendorf, Sr., and Patrick S. Jage.

Fee Summary

Claimants, Gregory and Donna Schultz, are jointly and severally liable for:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 6,000.00
Total Fees	= \$ 6,375.00
Less payments	= \$ 1,575.00
Balance Due NASD Dispute Resolution	= \$ 4,800.00

Respondent, Peregrine Financials & Securities, Inc., is liable for:

Member Fees	= \$ 7,000.00
Total Fees	= \$ 7,000.00
Less payments	= \$ 7,000.00
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, Peregrine Financials & Securities, Inc., Thomas Eugene Pearson, Russell Ralph Wasendorf, Sr., and Patrick S. Jage, are jointly and severally liable for:

Forum Fees	= \$ 6,000.00
Total Fees	= \$ 6,000.00
Less payments	= \$ 1,500.00
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 E. McGovern, Jr., Esq. - Public Arbitrator, Presiding Chair
Loren R. Miller, III - Public Arbitrator
Doris H. Geck - Non-Public Arbitrator

Concurring Arbitrators:

John E. McGovern, Jr., Esq.
Public Arbitrator, Presiding Chair

Signature Date

/s/ Loren R. Miller, III
Loren R. Miller, III
Public Arbitrator

October 11, 2005
Signature Date

/s/ Doris H. Geck
Doris H. Geck
Non-Public Arbitrator

October 7, 2005
Signature Date

October 11, 2005
Date of Service (For NASD office use only)

ARBITRATION PANEL

John E. McGovern, Jr., Esq. - Public Arbitrator, Presiding Chair
Loren R. Miller, III - Public Arbitrator
Doris H. Geck - Non-Public Arbitrator

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