

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Names of Claimants

Thomas G. Hackett, Individually
and as Trustee for the Devananda
Tandavan Trust (dated 11/16/94)

and

Case Number: 04-04247
Hearing Site: Chicago, Illinois

Names of Respondents

PEB Financial Group, Inc. and
Thomas C. Reynolds

NATURE OF DISPUTE

Customers v. Member Firm and Associated Person

REPRESENTATION OF PARTIES

Thomas G. Hackett, Individually and as Trustee for the Devananda Tandavan Trust (dated 11/16/94), ("**Claimants**") were represented by Peter J. Berman, Esq., Peter J. Berman, Ltd., Chicago, Illinois

PEB Financial Group, Inc. ("**PEB**") was represented by James L. Komie, Esq., Schuyler, Roche & Zwirner, Chicago, Illinois.

Thomas C. Reynolds ("**Reynolds**") was represented by Charles J. Risch, Esq., Lawrence, Kamin, Saunders & Uhlenhop, Chicago, Illinois

CASE INFORMATION

The Statement of Claim was filed on or about June 16, 2004. The Submission Agreement of Claimants, Thomas G. Hackett, Individually and as Trustee for the Devananda Tandavan Trust (dated 11/16/94), was signed on or about June 15, 2004. On or about May 31, 2005, Claimants filed a Response to Reynolds' Motion to Dismiss. On or about September 8, 2005, Claimants filed a Response to Reynolds' Motion in Limine. On or about December 9, 2005, Claimants filed a Pre-Hearing Brief and Response to Respondent Reynolds' Motion to Dismiss the Trust Claims.

The Statement of Answer was filed by Respondent, PEB Financial Group, Inc., on or about September 20, 2004. The Submission Agreement of Respondent, PEB Financial Group, Inc., was signed on or about November 22, 2004.

The Statement of Answer was filed by Respondent, Thomas C. Reynolds, on or about August 9, 2004. The Submission Agreement of Respondent, Thomas C. Reynolds, was signed on or about June 30, 2004. On or about January 31, 2005, Reynolds filed a Motion to Dismiss. On or about July 22, 2005, Reynolds filed a Motion in Limine to Bar Testimony Pursuant to the Dead Man's Act and/or as Improper Hearsay Evidence. On or about August 9, 2005, Reynolds filed a Reply in Support of his Motion in Limine. On or about December 5, 2005, Reynolds filed a Pre-Hearing Memorandum and a Renewed Motion to Dismiss the Trust Claims as they are Barred by the Applicable Statutes of Limitations.

CASE SUMMARY

Claimants asserted the following causes of action: negligence, breach of fiduciary duty, misrepresentations, omission of facts and suitability. The causes of action related to the recommendation and purchase of various variable annuity contracts. Claimants alleged that Respondent Reynolds breached his fiduciary duties he owed Dr. Tandavan and the Tandavan Trust when he failed to disclose the terms relating to the death benefit under the Panorama Passage Annuity Contract. Claimants also alleged that Dr. Tandavan relied on incomplete information he received from Respondent Reynolds when he decided to exchange the Trust's PFL Annuity Contract for the Panorama Passage Annuity Contract to the detriment of Tandavan Trust. Claimant Hackett alleged that Respondent Reynolds misrepresented the death benefit under the Panorama Passage Annuity Contract during his presentation of Plan A without even reading the prospectus or the underlying contract.

Unless specifically admitted in its Answer, Respondent PEB denied the allegations made in the Statement of Claim.

Unless specifically admitted in his Answer, Respondent Reynolds denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimants' claims for relief are barred by the applicable statutes of limitations; Claimants failed to mitigate their damages; Claimants ratified all trades entered in their accounts; Claimants bring this action with unclean hands; Claimants are estopped from asserting a claim for damages; and Claimants assumed the risks of the investments which they made through Respondents and through their unilateral decisions regarding when to purchase and whether to hold such securities.

RELIEF REQUESTED

Claimants requested an award in the amount of:

Actual/Compensatory Damages	\$434,520.51
Punitive/Exemplary Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

Respondent PEB requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

Respondent Reynolds requested that the claims asserted against him be denied in their entirety and that he be awarded his costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

On or about August 17, 2005, the Panel denied Respondent Reynolds' Motion in Limine.

On or about December 15, 2005, Claimants filed a Stipulation of Dismissal with Prejudice against Respondent PEB Financial Group, Inc.

After the final hearing, the Panel deliberated and granted Respondent Reynolds' Renewed Motion to Dismiss as to the Trust Claims.

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.) The Panel granted Respondent Reynolds' Renewed Motion to Dismiss as to the Trust Claims as they are Barred by the Statutes of Limitations;
- 2.) Respondent, Thomas C. Reynolds, is liable for and shall pay to Claimant, Thomas G. Hackett, the sum of \$43,000.00 in compensatory damages;
- 3.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and

- 4.) 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 = \$ 300.00

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 person at the time of the events giving rise to the dispute. In this matter, the member firm is PEB Financial Group, Inc.

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 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 a single arbitrator x \$450.00 = \$ 900.00

Pre-hearing conferences: March 15, 2005 1 session
May 20, 2005 1 session

Four (4) Pre-hearing sessions with Panel x \$1,125.00 = \$ 4,500.00

Pre-hearing conferences: November 10, 2004 1 session
June 15, 2005 1 session
July 12, 2005 1 session
August 12, 2005 1 session

Thirteen (13) Hearing sessions x \$1,125.00 = \$ 14,625.00

Hearing Dates: December 14, 2005 2 sessions
December 15, 2005 2 sessions
December 16, 2005 2 sessions

December 18, 2005	2 sessions	
December 19, 2005	2 sessions	
December 20, 2005	3 sessions	
Total Forum Fees		= \$ 20,025.00

The Arbitration Panel has assessed \$20,025.00 of the forum fees to Thomas C. Reynolds.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services including, but not limited to, additional copies of arbitrator awards beyond those provided without charge, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

The parties requested the use of the NASD hearing facilities on Sunday, December 18, 2005. Mr. Matthew Thurman represented NASD on location and the parties agreed to split the fees assessed for the use of Mr. Thurman 50/50. Payment for Mr. Thurman's services will be in accordance with his employment contract via NASD.

Claimants	= \$ 85.79
Respondent Reynolds	= \$ 85.79

Fee Summary

Claimants, Thomas G. Hackett, Individually and as Trustee for the Devananda Tandavan Trust (dated 11/16/94), are jointly and severally liable for:

Initial Filing Fee	= \$ 300.00
Administrative Costs	= \$ 85.79
Total Fees	= \$ 385.79
Less payments	= \$ 1,425.00
Balance Refunded to Claimants	= \$ 1,039.21

Respondent, PEB Financial Group, Inc., 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, Thomas C. Reynolds, is liable for:

Administrative Costs	= \$ 85.79
Forum Fees	= \$ 20,025.00
Total Fees	= \$ 20,110.79
Less payments	= \$ 0.00

Balance Due NASD Dispute Resolution

= \$ 20,110.79

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

ARBITRATION PANEL

Michael Patterson, Esq. - Public Arbitrator, Presiding Chair
Bradford S. Allen, Esq. - Public Arbitrator
Jonathon Anthony Bell - Non-Public Arbitrator

Concurring Arbitrators:

/s/ Michael Patterson, Esq.
Michael Patterson, Esq.
Public Arbitrator, Presiding Chair

December 22, 2005
Signature Date

/s/ Bradford S. Allen, Esq.
Bradford S. Allen, Esq.
Public Arbitrator

December 21, 2005
Signature Date

/s/ Jonathon Anthony Bell
Jonathon Anthony Bell
Non-Public Arbitrator

December 22, 2005
Signature Date

December 22, 2005
Date of Service (For NASD office use only)

Balance Due NASD Dispute Resolution

= \$ 20,110.79

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

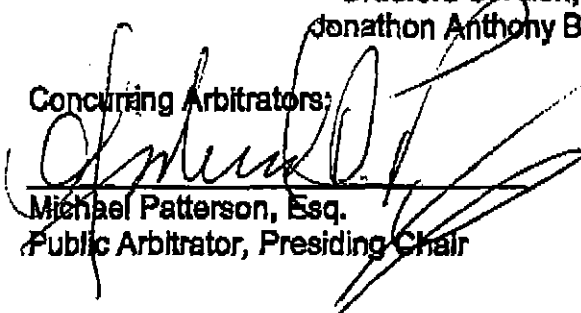
ARBITRATION PANEL

Michael Patterson, Esq. - Public Arbitrator, Presiding Chair

Bradford S. Allen, Esq. - Public Arbitrator

Jonathon Anthony Bell - Non-Public Arbitrator

Concurring Arbitrators:



Michael Patterson, Esq.
Public Arbitrator, Presiding Chair

12-22-05

Signature Date

Bradford S. Allen, Esq.
Public Arbitrator

Signature Date

Jonathon Anthony Bell
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

Balance Due NASD Dispute Resolution

= \$ 20,110.79

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

ARBITRATION PANEL

Michael Patterson, Esq. - Public Arbitrator, Presiding Chair
Bradford S. Allen, Esq. - Public Arbitrator
Jonathon Anthony Bell - Non-Public Arbitrator

Concurring Arbitrators:

Michael Patterson, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Bradford S. Allen

Bradford S. Allen, Esq.
Public Arbitrator

December 21, 2005

Signature Date

Jonathon Anthony Bell
Non-Public Arbitrator

Signature Date

Date of Service (For NASD office use only)

Balance Due NASD Dispute Resolution

= \$ 20,110.79

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

ARBITRATION PANEL

Michael Patterson, Esq. - Public Arbitrator, Presiding Chair
Bradford S. Allen, Esq. - Public Arbitrator
Jonathon Anthony Bell - Non-Public Arbitrator

Concurring Arbitrators:

Michael Patterson, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Bradford S. Allen, Esq.
Public Arbitrator

Signature Date

Jonathon A. Bell
Jonathon Anthony Bell
Non-Public Arbitrator

December 22, 2005
Signature Date

Date of Service (For NASD office use only)