

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Claimant

Linsco Private Ledger Corporation

v.

04-05089

Denver, Colorado

Respondent

Jeffrey Michael Hug

Nature of Dispute: Member v. Associated Person

REPRESENTATION OF PARTIES

Linsco Private Ledger Corporation ("Claimant") was represented by Brad Jacobs, Esq., of Linsco Private Ledger Corporation, Boston, Massachusetts.

Jeffrey Michael Hug ("Respondent") appeared pro se.

CASE INFORMATION

The Statement of Claim was filed on or about July 9, 2004. The Submission Agreement of Claimant was signed on or about July 12, 2004.

No Statement of Answer or Submission Agreement was filed by Respondent, Jeffrey Michael Hug.

CASE SUMMARY

Claimant asserted causes of action including the following: breach of employment contract; breach of fiduciary duty; breach of the covenant of good faith and fair dealing; negligence; fraud and deceit; tortious malpractice as a licensed securities professional; violation of federal securities laws, including 15 U.S.C. §78B, Rule 10(b)(5) and 15 U.S.C. §1961 et seq.; violation of federal mail fraud laws, 18 U.S.C. §1341; violation of several state securities laws; and violations of the NASD Rules of Fair Practice, NYSE and American Stock Exchange Rules. The causes of action related to Claimant's allegation that Respondent fraudulently took and subsequently spent \$64,442.96 of a former customer's investment. Claimant alleged that Respondent coerced the customer to liquidate her IRA and reinvest the proceeds with him for investment in various mutual funds concentrated in mortgage and real estate investments. Claimant alleged that Respondent then instructed the customer to write the proceeds of the sale, not to Linsco, but to his D.B.A ("Core Financial Group"). Claimant asserted that Respondent then placed all of the customer's proceeds in Respondent's personal bank account and subsequently spent all of the customer's proceeds on personal and entertainment

expenses. Claimant also asserted that Respondent falsified year-end documents reflecting the alleged investments and interest accrued to reassure the customer that her investments were performing well. According to Claimant, after an investigation was completed, Respondent was terminated, the customer and Claimant settled her claim and Claimant was assigned the rights of recovery of all of the proceeds lost by Respondent's alleged fraud.

Respondent, at the hearing, stated that he had no disagreement with the allegations in the Statement of Claim, acknowledged that his actions were wrong, and was willing to accept any punishment the panel determined in this case.

RELIEF REQUESTED

Claimant requested an award of \$66,305.89 in compensatory damages, plus punitive damages, attorneys' fees, costs, and any other relief the panel deemed just and proper.

OTHER ISSUES CONSIDERED & DECIDED

At the arbitration hearing, Claimant presented a Motion to Bar Defenses of Respondent, Jeffrey Michael Hug. Respondent did not disagree with this Motion. After deliberation, the Panel granted Claimant's Motion to Bar Defenses but Respondent was given latitude given his pro se status.

Respondent, Jeffrey Michael Hug, 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 appeared and testified at the final hearing is bound by the determination of the arbitration panel on all issues submitted.

After presentation of evidence, the Panel made the following finding of fact:

Respondent, Jeffrey Michael Hug, by his actions committed fraud.

The parties 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. Respondent, Jeffrey Michael Hug, by his actions and his representations at the hearing committed fraud;
2. Respondent, Jeffrey Michael Hug, is liable for and shall pay to Claimant, Linsco Private Ledger Corporation, the sum of Sixty Six Thousand Three Hundred and Five Dollars and Eighty Nine Cents (\$66,305.89) in compensatory damages;
3. Respondent, Jeffrey Michael Hug, is liable for and shall pay to Claimant, Linsco Private Ledger Corporation, the sum of Ten Thousand Dollars and No Cents (\$10,000.00) in punitive damages;
4. Respondent, Jeffrey Michael Hug, is liable for and shall pay to Claimant, Linsco Private Ledger Corporation, the sum of Thirteen Thousand Eight Hundred Dollars and No Cents (\$13,800.00) in attorneys' fees pursuant to the November 13, 2002, Representative Agreement;
5. Respondent, Jeffrey Michael Hug, is liable for and shall pay to Claimant, Linsco Private Ledger Corporation, the sum of Six Thousand Fifty Dollars and No Cents (\$6,050.00) in arbitration costs pursuant to the November 13, 2002, Representative Agreement;
6. Respondent, Jeffrey Michael Hug, is liable for and shall pay to Claimant, Linsco Private Ledger Corporation, interest on the above-stated sums at the rate of 5% per annum from the date of service of Award through and including the date this Award is paid in full; and
7. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief by any party hereto, are 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 = \$ 1,000

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 Linsco Private Ledger Corporation.

Member surcharge	= \$ 1,100
Pre-hearing process fee	= \$ 750
Hearing process fee	= \$ 1,700

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 the Panel x \$ 750 = \$ 750

Pre-hearing conference: 12/02/2004 1 session

One (1) Hearing session with the Panel x \$ 750 = \$ 750

Hearing Date: 03/29/2005 1 session

Total Forum Fees = \$ 1,500

The Arbitration Panel has assessed \$ 1,500 of the forum fees to Linsco Private Ledger Corporation.

EEE SUMMARY

Claimant, Linsco Private Ledger Corporation, is liable for:

<u>Initial Filing Fee</u>	= \$ 1,000
<u>Member Fees</u>	= \$ 3,550
<u>Forum Fees</u>	= \$ 1,500
<u>Total Fees</u>	= \$ 6,050
<u>Less payments</u>	= \$ 6,050
Balance Due NASD Dispute Resolution	= \$ 0

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

ARBITRATION PANEL

James B. Eichberg - Public Arbitrator, Presiding Chair
Malcolm T. Cleland - Public Arbitrator
Jerome C. Zackroff - Non-Public Arbitrator

Concurring Arbitrators:

James B. Eichberg
Public Arbitrator, Presiding Chair

Signature Date

Malcolm T. Cleland
Public Arbitrator

Signature Date

Jerome C. Zackroff
Non-Public Arbitrator

Signature Date

4/1/05

Date of Service (NASD use only)

ARBITRATION PANEL

James B. Eichberg - Public Arbitrator, Presiding Chair
Malcolm T. Cleland - Public Arbitrator
Jerome C. Zackroff - Non-Public Arbitrator

Concurring Arbitrators:

James B. Eichberg
James B. Eichberg
Public Arbitrator, Presiding Chair

April 1, 2005
Signature Date

Malcolm T. Cleland
Malcolm T. Cleland
Public Arbitrator

Signature Date

Jerome C. Zackroff
Jerome C. Zackroff
Non-Public Arbitrator

Signature Date

4/1/05
Date of Service (NASD use only)

ARBITRATION PANEL

James B. Eichberg - Public Arbitrator, Presiding Chair
Malcolm T. Cleland - Public Arbitrator
Jerome C. Zackroff - Non-Public Arbitrator

Concurring Arbitrators:

James B. Eichberg
Public Arbitrator, Presiding Chair

Malcolm T. Cleland

Malcolm T. Cleland
Public Arbitrator

Signature Date

3/31/05

Signature Date

Jerome C. Zackroff
Non-Public Arbitrator

Signature Date

4/1/05
Date of Service (NASD use only)

ARBITRATION PANEL

James B. Eichberg - Public Arbitrator, Presiding Chair
Malcolm T. Cleland - Public Arbitrator
Jerome C. Zackroff - Non-Public Arbitrator

Concurring Arbitrators:

James B. Eichberg
Public Arbitrator, Presiding Chair

Signature Date

Malcolm T. Cleland
Public Arbitrator

Signature Date



Jerome C. Zackroff
Non-Public Arbitrator

04/01/05

Signature Date

4/1/05

Date of Service (NASD use only)