

**Stipulated Award**  
**NASD Dispute Resolution**

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In the Matter of the Consolidated Case entitled "Drolson/National Planning Corporation":

Consolidated Case Number: 04-05653

Hearing Site: San Diego, California

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Paul E. Drolson, Claimant v. National Planning Corporation, Respondent

Case Number: 04-05653

Nature of the Dispute: Associated Person v. Member

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National Planning Corporation, Claimant v. Paul E. Drolson, Respondent

Case Number: 04-05802

Nature of the Dispute: Member v. Associated Person

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**REPRESENTATION OF PARTIES**

For Paul E. Drolson ("Drolson"):

R. Craig Zafis, Esq.  
Law Offices of R. Craig Zafis, PC  
San Diego, California

For National Planning Corporation ("National"):

Kevin K. Fitzgerald, Esq.  
Jones, Bell, Abbott, Fleming,  
& Fitzgerald  
Los Angeles, California

**CASE INFORMATION**

**Paul E. Drolson, Claimant v. National Planning Corporation, Respondent**  
**Case Number: 04-05653**

Initial Statement of Claim filed: August 6, 2004

Amended Statement of Claim filed: October 20, 2004

Statement of Answer to Amended Statement of Claim filed: November 18, 2004

Paul E. Drolson's Uniform Submission Agreement signed: Not dated

National Planning Corporation's Uniform Submission Agreement signed: August 13, 2004

**National Planning Corporation, Claimant v. Paul E. Drolson, Respondent**  
**Case Number: 04-05802**

Statement of Claim filed: August 13, 2004

Statement of Answer: October 18, 2004

**CASE SUMMARY**

**Paul E. Drolson, Claimant v. National Planning Corporation, Respondent**  
**Case Number: 04-05653**

Claimant Drolson alleged fraud, negligence, misrepresentation, and breach of covenant of good faith and fair dealing. Mr. Drolson's allegations involved alleged misrepresentations made to Mr. Drolson when he executed a promissory note payable to Respondent. In addition, Claimant Drolson allegations involved Respondent National's alleged failure to timely register Drolson's investor advisor business with the State of California.

On October 20, 2004 Claimant Drolson filed an Amended Statement of Claim pursuant to Code of Arbitration Procedure rule 10328(a). Claimant repeated the allegations of his Initial Statement of Claim; however, unlike his Initial Statement of Claim, Claimant attached exhibits to his Amended Statement of Claim.

National Planning Corporation denied the allegations of wrongdoing set forth in the Claimant Drolson's Amended Statement of Claim and set forth various affirmative defenses.

**National Planning Corporation, Claimant v. Paul E. Drolson, Respondent**  
**Case Number: 04-05802**

Claimant National Planning Corporation alleged breach of contract, breach of covenant of good faith and fair dealing, money had and received, and account stated. Claimant's allegations involved Respondent Drolson's alleged failure to pay a promissory note.

Paul E. Drolson denied the allegations of wrongdoing set forth in the National Planning Corporation's Statement of Claim and set forth various affirmative defenses.

**RELIEF REQUESTED**

**Paul E. Drolson, Claimant v. National Planning Corporation, Respondent**  
**Case Number: 04-05653**

Drolson's Initial and Amended Statements of Claim each requested \$850,000.00 in compensatory damages, interest, and costs, including attorney's fees.  
National requested dismissal of the Drolson's Amended Statement of Claim in its entirety and costs.

**National Planning Corporation, Claimant v. Paul E. Drolson, Respondent**  
**Case Number: 04-05802**

National requested \$650,000.00 in principal owed, less any amounts deducted from Drolson's commissions or fees, interest on the principle sum at the rate of 3.17% from July 1, 2003, in accordance with the terms of the Note, interest on the principal sum at the rate of 6.33% from July 1, 2003 in accordance with the terms of the Note, and costs, including attorney's fees in accordance with the terms of the Note.

Drolson requested dismissal of National's Statement of Claim.

**OTHER ISSUES CONSIDERED AND DECIDED**

On September 23, 2004, prior to the appointment of a Panel in either Case Number 04-05653 (Paul E. Drolson v. National Planning Corporation) or Case Number 04-05802 (National

Planning Corporation v. Paul E. Drolson), the parties stipulated to consolidating the two cases into Case Number 04-05653.

The parties agreed that the Stipulated Award in this matter may be executed in counterpart copies or that a handwritten, signed Stipulated Award may be entered.

### **AWARD**

After considering the pleadings and the Parties' request for this Stipulated Award, the Panel decided in full and final resolution of the issues submitted for determination as follows:

1. Paul E. Drolson and National Planning Corporation have entered into a confidential settlement agreement.
2. Paul E. Drolson has released his claims against National Planning Corporation.
3. National Planning Corporation's release of its claims against Paul E. Drolson is contingent upon Paul E. Drolson's timely completion of his obligations under the terms of the settlement agreement. If Paul E. Drolson does not timely complete his obligations under the settlement agreement:
  - a. This Stipulated Award may be confirmed as a judgment by any court of competent jurisdiction;
  - b. Paul E. Drolson shall pay to National Planning Corporation the amount of \$634,000.00, less any payments made under the settlement agreement; and,
  - c. Paul E. Drolson shall pay to National Planning Corporation the reasonable attorney's fees and costs that National Planning Corporation incurs in connection with confirming this Stipulated Award as a judgment and attempting to collect on such judgment.
4. All other relief requested and not expressly granted is denied.

**FEES**

**National Planning Corporation, Claimant v. Paul E. Drolson, Respondent**  
**Case Number: 04-05802**

Pursuant to the Code, the following fees are assessed:

**Filing Fees**

NASD Dispute Resolution received or will collect the non-refundable filing fees for each claim as follows:

National Planning Corporation's Initial claim filing fee = \$ 1,250.00

**Member Fees**

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events gave rise to the dispute, claim, or controversy. Accordingly, the member firm National Planning Corporation is a party and the following fees are assessed:

Member Surcharge	= \$2,250.00
<b>Total Member Fees</b>	<b>= \$2,250.00</b>

**Fee Summary**

1. National Planning Corporation is charged with the following fees and costs:

Initial Filing Fee	= \$ 1,250.00
Member Fees	= \$ 2,250.00
Total Fees	= \$ 3,500.00
Less payments	= \$ (4,700.00)
<b>Refund Due National Planning Corporation</b>	<b>= \$ (1,200.00)</b>

### **FEES**

**Paul E. Drolson, Claimant v. National Planning Corporation, Respondent**  
**Case Number: 04-05653**

Paul E. Drolson's Initial claim filing fee = \$ 375.00

### **Member Fees**

Member fees are assessed to each member firm that is either a party in the matter or an employer of a respondent associated person at the time of the events that gave rise to the dispute, claim, or controversy. Accordingly, the member firm National Planning Corporation is a party and the following fees are assessed:

Member Surcharge	= \$2,250.00
Pre-Hearing Process Fee	= \$ 750.00
<u>Hearing Process Fee</u>	<u>= \$4,000.00</u>
<b>Total Member Fees</b>	<b>= \$7,000.00</b>

### **Adjournment Fees**

The following adjournment fees are assessed:

Hearing Dates, November 7-11, 2005 = \$1,200.00

Pursuant to Rule 10403(b) of the Code, the adjournment fee is waived

### **Forum Fees and Assessments**

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair or the parties and the Panel. The following fees are assessed:

One (1) Pre-hearing conference session with a single arbitrator @ \$450.00/session	= \$ 450.00
Pre-hearing conference:      October 5, 2005      1 session	
One (1) Pre-hearing conference session with the Panel @ \$1,200.00/session	= \$1,200.00
Pre-hearing conference:      March 10, 2005      1 session	
<b>Total Forum Fees</b>	<b>= \$1,650.00</b>

1. The Panel assessed \$825.00 of the forum fees to Paul E. Drolson.
2. The Panel assessed \$825.00 of the forum fees to National Planning Corporation.

**Fee Summary**

1. Paul E. Drolson is charged with the following fees and costs:

Initial Filing Fee	= \$ 375.00
Forum Fees	= \$ 825.00
Total Fees	= \$ 1,200.00
Less payments	= \$ (2,200.00)
<b>Refund Due Paul E. Drolson</b>	<b>= \$ (1,000.00)</b>

2. National Planning Corporation is charged with the following fees and costs:

Member Fees	= \$ 7,000.00
Forum Fees	= \$ 825.00
Total Fees	= \$ 7,825.00
Less payments	= \$ (9,450.00)
<b>Refund Due National Planning Corporation</b>	<b>= \$ (1,625.00)</b>

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

ARBITRATION PANEL

Raymond Prazen	-	Public Arbitrator, Presiding Chair
Leslie Jordan	-	Public Arbitrator
J. A. Dutcher	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures



Raymond Prazen  
Chair, Public Arbitrator

2/23/06  
Signature Date

\_\_\_\_\_  
Leslie Jordan  
Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
J. A. Dutcher  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

3/2/06  
Date of Service

**ARBITRATION PANEL**

Raymond Prazen	-	Public Arbitrator, Presiding Chair
Leslie Jordan	-	Public Arbitrator
J. A. Dutcher	-	Non-Public Arbitrator

**Concurring Arbitrators' Signatures**

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Raymond Prazen  
Chair, Public Arbitrator

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Signature Date

\_\_\_\_\_  
Leslie Jordan  
Public Arbitrator

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Feb 8, 2006  
Signature Date

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J. A. Dutcher  
Non-Public Arbitrator

\_\_\_\_\_  
Signature Date

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3/2/06  
Date of Service

**ARBITRATION PANEL**

Raymond Prazen	-	Public Arbitrator, Presiding Chair
Leslie Jordan	-	Public Arbitrator
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**Concurring Arbitrators' Signatures**

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Raymond Prazen  
Chair, Public Arbitrator

\_\_\_\_\_  
Signature Date

\_\_\_\_\_  
Leslie Jordan  
Public Arbitrator

\_\_\_\_\_  
Signature Date

  
J. A. Dutcher  
Non-Public Arbitrator

2/9/06  
Signature Date

3/2/06  
Date of Service