

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Steven L. Moldane, Claimant v. Princor Financial Services Corporation f/k/a Principal Financial Services Corporation, Linda R. Gordon, and Craig G. Bolanos, Jr., Respondents

Case Number: 04-07961

Hearing Site: Seattle, Washington

Nature of the Dispute: Customer v. Member and Associated Persons

REPRESENTATION OF PARTIES

For Claimant:

John D. Hudson, Esq.
Williams, Blackburn, Hudson
& Maharry
Des Moines, Iowa

For Respondent Princor Financial Services Corporation:

Kenneth M. Kolaski, Esq.
Reed Smith
Philadelphia, Pennsylvania

For Respondent Linda R. Gordon:

Beth Fruechtenicht, Esq.
Wilson Elser Moskowitz
Edelman & Dicker
San Francisco, California

For Respondent Craig G. Bolanos, Jr.:

Matthew J. Iverson, Esq.
Litchfield Cavo LLP
Chicago, Illinois

CASE INFORMATION

Statement of Claim filed: November 16, 2004

Claimant's Uniform Submission Agreement signed: January 18, 2005

Statement of Answer filed by Respondent Princor Financial Services Corporation: April 4, 2005

Respondent Princor Financial Services Corporation's (f/k/a Principal Financial Services Corporation) Uniform Submission Agreement signed: January 27, 2005

Statement of Answer filed by Respondent Linda R. Gordon: April 5, 2005

Amended Statement of Answer filed by Respondent Linda R. Gordon: April 21, 2005

Respondent Linda R. Gordon's Uniform Submission Agreement signed: April 14, 2005

Statement of Answer filed by Respondent Craig G. Bolanos, Jr.: April 8, 2005

Respondent Craig G. Bolanos, Jr.'s Uniform Submission Agreement signed: April 7, 2005

CASE SUMMARY

Claimant asserted the following causes of action: failure to supervise, breach of fiduciary duty, unsuitable recommendations, inappropriate investment advice, failure to communicate, tax status, misstatements and omissions, churning, misappropriation of funds, conversion, unauthorized transactions, improper executions, and fraud. Claimant's allegations involved the purchase of Principal Flexible Variable Annuity.

Unless specifically admitted in its Answer, Respondent Princor Financial Services Corporation denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted the following defenses: statutes of limitation, failure to state a claim upon which relief may be granted, Respondent Princor did not violate any rules, regulations, or laws, good faith, necessary and indispensable parties were not named in this arbitration proceeding, assumption of risk, no representatives of Respondent Princor made false or misleading statements to Claimant, Claimant lacks standing to prove the claims asserted, Claimant did not justifiably rely on any statement made by any representative of Respondent Princor in making the investment decisions that are the subject of this arbitration, Respondent Princor does not owe Claimant a fiduciary duty, Respondent Princor did not breach any duty owed with respect to the variable annuity at issue, Respondent Princor regularly supervised the individual Respondents in this matter, no factual or legal basis for holding Respondent Princor vicariously liable for acts of the individual Respondents, ratification, estoppel, waiver, laches, unclean hands and/or contributory negligence, failure to mitigate, failure to state a claim for which attorney's fees or lost interest may be awarded, Claimant is barred from recovery to the extent that he has previously released such claims, Claimant's losses are not recoverable to the extent that they have been compensated by other sources, entities other than Princor caused any alleged losses suffered by Claimant, and no factual or legal basis exists to hold Princor liable for any purported damage or for punitive damages in this matter.

Unless specifically admitted in her Answer or Amended Answer, Respondent Linda R. Gordon denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted the following affirmative defenses: assumption of risk, failure to state a cause of action, failure to mitigate damages, Claimant's alleged damages were caused by market forces and other factors and circumstances that were unrelated to any alleged wrongdoing by Respondents, Claimant failed to perform all conditions incumbent upon him in connection with the alleged transactions and that such failure excuses any and all performance by Respondent Gordon, laches, estoppel, Claimant's causes of action are barred by applicable statutes of limitations, claims violate

Respondent Gordon's right to procedural due process, substantive due process, and protection from "excessive" fines as guaranteed by the Fifth, Fourteenth, and Eighth Amendments to the United States Constitution and the constitutions of the states of California, Washington, and/or Illinois, Claimant's negligence with respect to the matters referred to in the claim proximately caused or contributed to the injuries or damages complained of by Claimant.

Unless specifically admitted in his Answer, Respondent Craig G. Bolanos, Jr. denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted the following affirmative defenses: waiver, ratification, and estoppel.

RELIEF REQUESTED

Claimant requested \$149,679.00 in compensatory damages, unspecified punitive damages, pre-judgment interest at the rate of 6%, \$5,000.00 in costs, and \$91,938.00 in attorney's fees (or 35% of the total amount awarded).

Respondent Princor requested dismissal of Claimant's Statement of Claim in its entirety, and costs, including attorney's fees.

Respondent Linda R. Gordon requested dismissal of Claimant's Statement of Claim in its entirety, costs, including attorney's fees, and expungement of this matter from Respondent Linda R. Gordon's CRD records.

Respondent Craig G. Bolanos, Jr. requested dismissal of Claimant's Statement of Claim in its entirety, and costs, including attorney's fees.

OTHER ISSUES CONSIDERED AND DECIDED

On April 21, 2005, Respondent Linda R. Gordon filed an Amended Statement of Answer pursuant to NASD's Code of Arbitration Procedure Rule 10328(a).

On September 20, 2005, Respondent Princor Financial Services Corporation filed a Motion for Summary Judgment. On October 4, 2005, Respondent Linda R. Gordon filed a Motion for Summary Judgment. On September 30, 2005, Respondent Craig G. Bolanos, Jr. filed a Motion for Summary Judgment. On November 4, 2005, Claimant filed a Resistance to Respondents' Motions for Summary Judgment. On November 30, 2005, Respondent Princor Financial Services Corporation filed a Reply Memorandum in Support of Summary Judgment, Respondent Linda R. Gordon filed a Joinder in Principal's Reply to Claimant's Opposition to Motion for Summary Judgment, and Respondent Craig G. Bolanos, Esq. filed a Reply Memorandum in Support of Motion for Summary Judgment. On December 6, 2005, a telephonic pre-hearing conference was held, during which the Panel heard oral argument from the parties regarding Respondents' motions for summary judgment. After due deliberation, the Panel hereby grants Respondents' motions for summary judgment. Pursuant to NASD's Code of Arbitration Rule 10301(d) and

Grove v. Principal Life Ins. Co., 200 F.R.D. 434 (S.D. Iowa 2001), all claims asserted by Claimant are dismissed with prejudice.

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

AWARD

After considering the pleadings, Respondents' motions for summary judgment, Claimant's opposition to these motions, Respondents' replies to Claimant's opposition, and the oral arguments presented at the December 6, 2005 pre-hearing conference, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Claimant's claims are dismissed with prejudice.
- 2) The parties shall bear their respective costs, including attorney's fees.
- 3) Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

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:

| | |
|--------------------------|-------------|
| Initial claim filing fee | = \$ 300.00 |
|--------------------------|-------------|

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 Princor Financial Services Corporation is a party, and the following fees are assessed:

| | |
|----------------------------|---------------------|
| Member Surcharge | = \$1,700.00 |
| Pre-Hearing Process Fee | = \$ 750.00 |
| <u>Hearing Process Fee</u> | <u>= \$2,750.00</u> |
| Total Member Fees | = \$5,200.00 |

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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. The following forum fees are assessed:

| | |
|---|---------------------|
| Two (2) pre-hearing conference sessions with the Panel @ \$1,125.00/session | = \$2,250.00 |
| Pre-hearing conferences: October 14, 2005 1 session | |
| December 6, 2005 1 session | |
| Total Forum Fees | = \$2,250.00 |

1. The Panel assessed \$1,125.00 of the forum fees to Claimant.
2. The Panel assessed \$375.00 of the forum fees to Respondent Princor Financial Services Corporation.
3. The Panel assessed \$375.00 of the forum fees to Respondent Linda R. Gordon.
4. The Panel assessed \$375.00 of the forum fees to Respondent Craig G. Bolanos, Jr.

Fee Summary

1. Claimant Steven L. Moldane is charged with the following fees and costs:

| | |
|--|------------------|
| Initial Filing Fee | = \$ 300.00 |
| Forum Fees | = \$ 1,125.00 |
| Total Fees | = \$ 1,425.00 |
| Less payments | = \$(1,425.00) |
| Balance Due NASD Dispute Resolution | = \$ 0.00 |
2. Respondent Princor Financial Services Corporation is charged with the following fees and costs:

| | |
|--|----------------------|
| Member Fees | = \$ 5,200.00 |
| Forum Fees | = \$ 375.00 |
| Total Fees | = \$ 5,575.00 |
| Less payments | = \$(2,450.00) |
| Balance Due NASD Dispute Resolution | = \$ 3,125.00 |
3. Respondent Linda R. Gordon is charged with the following fees and costs:

| | |
|-------------------|--------------------|
| Forum Fees | = \$ 375.00 |
| Total Fees | = \$ 375.00 |
4. Respondent Craig G. Bolanos, Jr. is charged with the following fees and costs:

| | |
|-------------------|--------------------|
| Forum Fees | = \$ 375.00 |
| Total Fees | = \$ 375.00 |


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

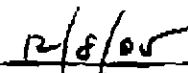
Michael R. Scott, Esq.
Daniel P. Harris, J.D.
Robert W. Pillitteri

• *Public Arbitrator, Presiding Chair*
• *Public Arbitrator*
• *Non-Public Arbitrator*

Concurring Arbitrators' Signatures



Michael R. Scott, Esq.
Chair, Public Arbitrator



Signature Date

Daniel P. Harris, J.D.
Public Arbitrator

Signature Date

Robert W. Pillitteri
Non-Public Arbitrator

Signature Date



Date of Service

ARBITRATION PANEL

| | | |
|-------------------------------|---|---|
| <i>Michael R. Scott, Esq.</i> | - | <i>Public Arbitrator, Presiding Chair</i> |
| <i>Daniel P. Harris, J.D.</i> | - | <i>Public Arbitrator</i> |
| <i>Robert W. Pillitteri</i> | - | <i>Non-Public Arbitrator</i> |

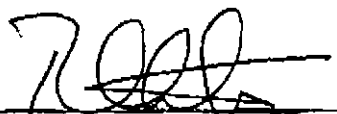
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Michael R. Scott, Esq.
Chair, Public Arbitrator

Signature Date

Daniel P. Harris, J.D.
Public Arbitrator

Signature Date



Robert W. Pillitteri
Non-Public Arbitrator

12/10/05
Signature Date

12/12/05
Date of Service

NASD Dispute Resolution
Arbitration No. 04-07961
Award Page 6 of 6

ARBITRATION PANEL

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| <i>Daniel P. Harris, J.D.</i> | - | <i>Public Arbitrator</i> |
| <i>Robert W. Pillitteri</i> | - | <i>Non-Public Arbitrator</i> |

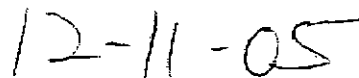
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Daniel P. Harris, J.D.
Public Arbitrator

Signature Date



Signature Date

Robert W. Pillitteri
Non-Public Arbitrator

Signature Date

Date of Service

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Steven L. Moldane, Claimant v. Princor Financial Services Corporation f/k/a Principal Financial Services Corporation, Linda R. Gordon, and Craig G. Bolanos, Jr., Respondents

Case Number: 04-07961

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REPRESENTATION OF PARTIES

For Claimant:

John D. Hudson, Esq.
Williams, Blackburn, Hudson
& Maharry
Des Moines, Iowa

For Respondent Princor Financial Services Corporation:

Kenneth M. Kolaski, Esq.
Reed Smith
Philadelphia, Pennsylvania

For Respondent Linda R. Gordon:

Beth Fruechtenicht, Esq.
Wilson Elser Moskowitz
Edelman & Dicker
San Francisco, California

For Respondent Craig G. Bolanos, Jr.:

Matthew J. Iverson, Esq.
Litchfield Cavo LLP
Chicago, Illinois

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CASE SUMMARY

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Unless specifically admitted in its Answer, Respondent Princor Financial Services Corporation denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted the following defenses: statutes of limitation, failure to state a claim upon which relief may be granted, Respondent Princor did not violate any rules, regulations, or laws, good faith, necessary and indispensable parties were not named in this arbitration proceeding, assumption of risk, no representatives of Respondent Princor made false or misleading statements to Claimant, Claimant lacks standing to prove the claims asserted, Claimant did not justifiably rely on any statement made by any representative of Respondent Princor in making the investment decisions that are the subject of this arbitration, Respondent Princor does not owe Claimant a fiduciary duty, Respondent Princor did not breach any duty owed with respect to the variable annuity at issue, Respondent Princor regularly supervised the individual Respondents in this matter, no factual or legal basis for holding Respondent Princor vicariously liable for acts of the individual Respondents, ratification, estoppel, waiver, laches, unclean hands and/or contributory negligence, failure to mitigate, failure to state a claim for which attorney's fees or lost interest may be awarded, Claimant is barred from recovery to the extent that he has previously released such claims, Claimant's losses are not recoverable to the extent that they have been compensated by other sources, entities other than Princor caused any alleged losses suffered by Claimant, and no factual or legal basis exists to hold Princor liable for any purported damage or for punitive damages in this matter.

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Respondent Gordon's right to procedural due process, substantive due process, and protection from "excessive" fines as guaranteed by the Fifth, Fourteenth, and Eighth Amendments to the United States Constitution and the constitutions of the states of California, Washington, and/or Illinois, Claimant's negligence with respect to the matters referred to in the claim proximately caused or contributed to the injuries or damages complained of by Claimant.

Unless specifically admitted in his Answer, Respondent Craig G. Bolanos, Jr. denied the allegations of wrongdoing set forth in Claimant's Statement of Claim and asserted the following affirmative defenses: waiver, ratification, and estoppel.

RELIEF REQUESTED

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OTHER ISSUES CONSIDERED AND DECIDED

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

AWARD

After considering the pleadings, Respondents' motions for summary judgment, Claimant's opposition to these motions, Respondents' replies to Claimant's opposition, and the oral arguments presented at the December 6, 2005 pre-hearing conference, the Panel decided in full and final resolution of the issues submitted for determination as follows:

- 1) Claimant's claims are dismissed with prejudice.
- 2) The parties shall bear their respective costs, including attorney's fees.
- 3) Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

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:

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| Initial claim filing fee | = \$ 300.00 |
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|--------------------------|---------------------|
| Member Surcharge | = \$1,700.00 |
| Pre-Hearing Process Fee | = \$ 750.00 |
| Hearing Process Fee | = \$2,750.00 |
| Total Member Fees | = \$5,200.00 |

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| Total Forum Fees | = \$2,250.00 |

1. The Panel assessed \$1,125.00 of the forum fees to Claimant.
2. The Panel assessed \$375.00 of the forum fees to Respondent Princor Financial Services Corporation.
3. The Panel assessed \$375.00 of the forum fees to Respondent Linda R. Gordon.
4. The Panel assessed \$375.00 of the forum fees to Respondent Craig G. Bolanos, Jr.

Fee Summary

1. Claimant Steven L. Moldane is charged with the following fees and costs:

| | |
|--|-----------------------|
| Initial Filing Fee | = \$ 300.00 |
| <u>Forum Fees</u> | <u>= \$ 1,125.00</u> |
| Total Fees | = \$ 1,425.00 |
| <u>Less payments</u> | <u>= \$(1,425.00)</u> |
| Balance Due NASD Dispute Resolution | = \$ 0.00 |
2. Respondent Princor Financial Services Corporation is charged with the following fees and costs:

| | |
|--|-----------------------|
| Member Fees | = \$ 5,200.00 |
| <u>Forum Fees</u> | <u>= \$ 375.00</u> |
| Total Fees | = \$ 5,575.00 |
| <u>Less payments</u> | <u>= \$(2,450.00)</u> |
| Balance Due NASD Dispute Resolution | = \$ 3,125.00 |
3. Respondent Linda R. Gordon is charged with the following fees and costs:

| | |
|-------------------|--------------------|
| <u>Forum Fees</u> | <u>= \$ 375.00</u> |
| Total Fees | = \$ 375.00 |
4. Respondent Craig G. Bolanos, Jr. is charged with the following fees and costs:

| | |
|-------------------|--------------------|
| <u>Forum Fees</u> | <u>= \$ 375.00</u> |
| Total Fees | = \$ 375.00 |

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.

NASD Dispute Resolution
Arbitration No. 04-07961
Award Page 6 of 6


ARBITRATION PANEL

Michael R. Scott, Esq.
Daniel P. Harris, J.D.
Robert W. Pillitteri

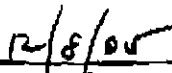
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Public Arbitrator, Presiding Chair
Public Arbitrator
Non-Public Arbitrator

Concurring Arbitrators' Signatures



Michael R. Scott, Esq.
Chair, Public Arbitrator



Signature Date

Daniel P. Harris, J.D.
Public Arbitrator

Signature Date

Robert W. Pillitteri
Non-Public Arbitrator

Signature Date



Date of Service

NASD Dispute Resolution
Arbitration No. 04-07961
Award Page 6 of 6

ARBITRATION PANEL

Michael R. Scott, Esq.
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Robert W. Pillitteri

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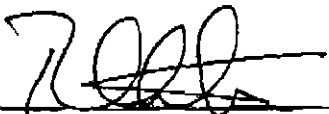
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