

**Award
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Claimants
Joyce Reuter and Keith Reuter

Case Number: 15-02088

vs.

Respondents
First Heartland Capital, Inc. and
Jerome Scott Krause

Hearing Site: Milwaukee, Wisconsin

Nature of the Dispute: Customers vs. Member and Associated Person

REPRESENTATION OF PARTIES

For Claimants Joyce Reuter and Keith Reuter ("Claimants" or "Reuters"): Stacie H. Rosenzweig, Esq., Halling & Cayo, S.C., Milwaukee, Wisconsin.

For Respondent First Heartland Capital, Inc. ("First Heartland"): Daniel A. Hetzel, Esq., Baugh Dalton, LLC, Chicago, Illinois.

Respondent Jerome Scott Krause ("Krause") did not appear.

CASE INFORMATION

Statement of Claim filed on or about: August 13, 2015.
Joyce Reuter signed the Submission Agreement: July 20, 2015.
Keith Reuter signed the Submission Agreement: July 20, 2015.

Statement of Answer filed by First Heartland on or about: November 12, 2015.
First Heartland signed the Submission Agreement: November 11, 2015.

CASE SUMMARY

Claimants asserted the following causes of action: unauthorized borrowing, unauthorized trading, civil theft by fraud under Wis. Stat. §§ 895.446 and 943.20, and breach of contract. Claimants alleged that Krause used his position of trust and the Reuters' vulnerability as older adults to siphon money from them under the guise of "loans," as part of a false and fraudulent scheme. Claimants further alleged that Krause borrowed more than \$150,000 from Claimants from 2010 to 2014. Also, Claimants alleged that, without their knowledge or consent, Krause liquidated some of their investments to finance his loans, which resulted in income tax liabilities and surrender charges. Finally, Claimants alleged that First Heartland neglected and failed to supervise Krause.

Unless specifically admitted in its Answer, First Heartland denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim, Claimants requested:

Compensatory Damages	Unspecified
Punitive Damages	Unspecified
Treble Damages	Unspecified
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified
Other Monetary Relief	Unspecified

In its Statement of Answer, First Heartland requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and fees. First Heartland also requested expungement of all references to this matter from its registration records maintained by the Central Registration Depository ("CRD").

In the Motion for Default against Krause, Claimants requested:

Compensatory Damages	\$175,000.00
Treble Damages	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrator acknowledges that he has read the pleadings and other materials filed by the parties.

The Arbitrator determined that Krause was served with the Statement of Claim and Notification of Arbitrator by certified mail, as evidenced by the signed signature cards on file, and is, therefore, bound by the Arbitrator's ruling and determination.

Krause did not file with FINRA Dispute Resolution a properly executed Submission Agreement, but is required to submit to arbitration pursuant to the Code of Arbitration Procedure ("Code") and is bound by the determination of the Arbitrator on all issues submitted.

On or about April 26, 2016, Krause filed for bankruptcy under the United States Bankruptcy Code. In accordance with these filings, all claims against Krause were indefinitely stayed.

On or about June 8, 2016, Claimants filed with the Bankruptcy Court for the Eastern District of Wisconsin a Motion for Relief from Automatic Stay. An Order dated July 13, 2016, issued by Hon. Hanan stated, "the Automatic Stay imposed herein is hereby lifted as to Joyce Reuter and Keith Reuter for their FINRA arbitration against Jerome Krause (Arbitration No. 15-02088), to allow the Reuters to move the Panel for default judgment proceedings and bring the FINRA action to its conclusion."

On or about July 15, 2016, Claimants filed a Motion for Default against Krause. In the Motion for Default, Claimants stated that in Krause's bankruptcy petition filed with FINRA on April 26, 2016, Krause acknowledged \$175,000.00 in debt to the Reuters. Claimants stipulated to this amount owed by Krause for the purpose of this proceeding.

On or about August 4, 2016, Claimants notified FINRA that a settlement had been finalized with First Heartland and filed a notice of dismissal with prejudice as to First Heartland.

On or about August 8, 2016, pursuant to Rule 12801 of the Code, the parties were notified that Arbitrator Stuart Mukamal would be the sole arbitrator making a determination on the Motion for Default.

On or about August 22, 2016, the Arbitrator reviewed the Settlement Agreement between Claimants and First Heartland in considering the Motion for Default against Krause.

On or about August 31, 2016, the Arbitrator set a deadline of September 30, 2016, for Claimants to file an Affidavit in Support of their Request for Attorneys' Fees. On or about September 19, 2016, Claimants filed an Affidavit in Support of their Request for Attorneys' Fees and Costs, which was forwarded to the Arbitrator for consideration.

On or about September 27, 2016, First Heartland notified FINRA that it did not intend to move for expungement as part of this arbitration.

AWARD

After considering the pleadings and all submissions regarding Claimants' Motion for Default, the Arbitrator has decided in full and final resolution of the issues submitted for determination as follows:

1. Jerome Scott Krause is liable for and shall pay to Claimants, Joyce Reuter and Keith Reuter, compensatory damages of \$150,000.00, which is trebled for exemplary damages of \$450,000.00 for a total award of \$600,000.00 in overall damages, pursuant to Wis. Stat. §§ 895.446(3).
2. Jerome Scott Krause is liable for and shall pay to Claimants, Joyce Reuter and Keith Reuter, the sum of \$17,980.50 in attorneys' fees pursuant to Wis. Stat. §§ 895.446(3)(b).
3. Jerome Scott Krause is liable for and shall pay to Claimants, Joyce Reuter and Keith Reuter, the sum of \$375.00 in costs as reimbursement of the non-refundable portion of the filing fee.
4. 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

FINRA Dispute Resolution assessed a filing fee* for each claim:

Initial Claim Filing Fee = \$ 1,575.00

**The filing fee is made up of a non-refundable and a refundable portion.*

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. Accordingly, as a party, First Heartland Capital, Inc. assessed the following:

Member Surcharge = \$ 1,900.00
Member Process Fee = \$ 3,750.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed:

July 12-15, 2016, requested jointly by Claimants and First Heartland Waived

Discovery-Related Motion Fees

Fees apply for each decision rendered on a discovery-related motion.

One (1) Decision on a discovery-related motion on the papers
with one (1) arbitrator @ \$200.00 = \$ 200.00
First Heartland submitted one (1) discovery-related motion

Total Discovery-Related Motion Fees = \$ 200.00

The Arbitrator has assessed \$200.00 of the discovery-related motion fees to jointly and severally to Joyce Reuter and Keith Reuter.

Hearing Session Fees and Assessments

The Arbitrator has assessed hearing session fees for each session conducted. A 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 @ \$1,125.00/session = \$ 1,125.00
Pre-hearing conference: December 29, 2015 1 session

Decision on the papers: = \$ 300.00

Total Hearing Session Fees = \$ 1,425.00

The Arbitrator has assessed \$712.50 of the hearing session fees jointly and severally to Joyce Reuter and Keith Reuter.

The Arbitrator has assessed \$562.50 of the hearing session fees jointly and severally to First Heartland Capital, Inc. and Jerome Scott Krause.

The Arbitrator has assessed \$150.00 of the hearing session fees to Jerome Scott Krause.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATOR

Stuart S. Mukamal

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Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Arbitrator's Signature

/s/ Stuart S. Mukamal

Stuart S. Mukamal
Sole Public Arbitrator

September 28, 2016

Signature Date

September 28, 2016

Date of Service (For FINRA Dispute Resolution office use only)

The Arbitrator has assessed \$150.00 of the hearing session fees to Jerome Scott Krause.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

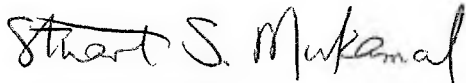
ARBITRATOR

Stuart S. Mukamal

Sole Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument, which is my award.

Arbitrator's Signature



Stuart S. Mukamal
Sole Public Arbitrator



Signature Date

Date of Service (For FINRA Dispute Resolution office use only)