

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant(s)

Eileen W. Trudel

90-02548

Name of Respondent(s)

Linda Cheney dba Cheney Financial Assoc.
PFG Securities, Inc.
Bekhor Securities Corporation

REPRESENTATION

For Claimant: Jacob R. Clifton, Jr., Esq. - Johnson, Clifton, Larson & Bolin, P.C.

For Respondent, Linda Cheney dba Cheney Financial Assoc. - David Dinerman, Esq.

For Respondent, PFG Securities, Inc. - Arnold J. Rothlisberger, Esq.

For Respondent, Bekhor Securities Corporation - Arnold J. Rothlisberger, Esq. - Page, Polin, Busch & Boatwright

CASE INFORMATION

Statement of Claim filed: September 12, 1990

Claimant's Submission Agreement signed on: August 30, 1990

Statement of Answer and Cross-Complaint filed by Respondent, Linda Cheney dba Cheney Financial Associates on January 15, 1991

Statement of Answer filed by Respondent Bekhor Securities Corporation on December 27, 1990.

Cross-Claim of Bekhor Securities Corporation filed on January 2, 1992.

HEARING INFORMATION

Pre-Hearing Conference(s) : None

Hearing Dates/Sessions: April 22, 1992 - Two Sessions
April 23, 1992 - Two Sessions

Hearing Location: Portland, Oregon

CASE SUMMARY

Claimant, Eileen W. Trudel (Trudel) alleged that Respondent Linda Cheney, dba Cheney Financial Associates (Cheney) recommended that Trudel invest \$30,000.00 in VMS Mortgage Investment Fund when Cheney knew or should have known that such investment was unsuitable for Trudel.

Trudel also alleged that Painter Financial Group, or PFG Securities, Inc., was purchased by Bekhor Securities Corporation (Bekhor) and therefore Bekhor is a proper party to this action.

Respondent, Cheney, alleged that full disclosure of the risks involved in VMS was made, and Trudel decided to invest in the Fund in spite of that knowledge. By way of crossclaim, Cheney alleged that PFG Securities, Inc., failed to supervise adequately the due diligence analysis undertaken by PFG with regard to VMS in violation of Article III Section 27 of the NASD Rules of Fair Practice, and Section 11 of the 1933 Act.

Respondent, Bekhor, denied that Bekhor may have derivative liability for the actions of Cheney. Bekhor also alleged that the VMS Mortgage Investment fund prospectus and materials were false and misleading and failed to state material facts thereby intentionally defrauding thousands of investors. Because of this fraudulent scheme, Bekhor had no way of ascertaining the true facts and quality of the investment.

By way of crossclaim, Bekhor sought indemnification from Cheney if any damages should be granted.

RELIEF REQUESTED

Claimant requested: Damages in the amount of \$24,977.32, and costs.

Respondent requested: Dismissal of the claim in its entirety and costs.

Cross-Claimants, Cheney requests indemnification from PFG Securities and Bekhor requests indemnification from Cheney.

OTHER ISSUES CONSIDERED AND DECIDED

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 the 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. Respondents, Linda Cheney dba Cheney Financial Associates and Bekhor Securities Corporation are jointly and severally liable and shall pay to Claimant, Eileen W. Trudel, the sum of Eighteen Thousand Dollars and No Cents (\$18,000.00)
2. No punitive damages are awarded.

3. The crossclaim of Linda Cheney against PFG Securities is dismissed.
4. The crossclaim of Bekhor Securities Corporation against Linda Cheney is dismissed.
5. The parties shall each bear their respective costs and fees, including attorneys' fees.
6. The NASD shall refund the \$400.00 hearing session deposit of Claimant Eileen W. Trudel.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

Forum fees Assessed Against: Respondents, Linda Cheney dba Cheney Financial Associates and Bekhor Securities Corporation, jointly and severally, in the amount of \$1,600.00 representing an assessment for four hearing sessions at \$400.00 each.

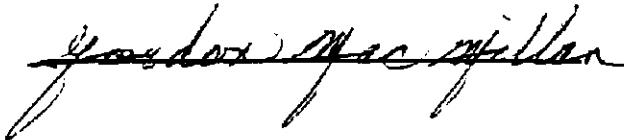
Fees are payable to the National Association of Securities Dealers, Inc.

ARBITRATION PANEL

Name
Gordon MacMillan
Bryan Devendorf
Willard Cushing

Public/Industry
Public
Industry
Public Chairperson

Concurring Arbitrators' Signatures



DATE SERVED: 06/04/92

Date of Decision: 4/23/92