

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimants

William J. Holland, SIPC Trustee
for Oberweis Securities, Inc.

90-03409

Name of Respondent

Ronald A. Alghini

REPRESENTATION OF PARTIES

For Claimant: Christopher Barber, Esq. of Adler, Kaplan & Begy of Chicago, Illinois.

For Respondent: James E. Hanlon, Jr., Esq. of Katten, Muchin & Zavis, Chicago, Illinois.

CASE INFORMATION

Statement of Claim filed: November 30, 1990.

Consent Order naming J. William Holland Trustee for Oberweis Securities entered by United States Bankruptcy Court Northern District of Illinois June 8, 1990.

Claimant's Submission Agreement signed on: December 28, 1990.

Statement of Answer filed by Respondent, Ronald A. Alghini on: January 3, 1991.

The NASD did not have evidence that Respondent Ronald A. Alghini filed a Submission to Arbitration.

HEARING INFORMATION

Hearing Date: May 18, 1992. Sessions: 2

Hearing Location: Chicago, Illinois

CASE SUMMARY

Claimant J. William Holland, SIPC Trustee for Oberweis Securities, Inc. ("Claimant") alleged breach of contract by respondent Ronald A. Alghini ("Respondent"). Claimant's allegation arose out of a Subscription Agreement ("Agreement") that had been entered into in July of 1988, whereby Respondent agreed to subscribe for a total of \$1,000,000.00 in subordinated debt of Oberweis Securities, Inc. ("Oberweis"). The agreement provided that Respondent would pay Claimant in three installments. Claimant alleged that Respondent failed and refused to make payment of the final installment in the amount of \$250,00.00 as required by the Agreement. Claimant further alleged that Respondent failed to cure his missed payment within 10 business days after receiving notice of said missed payment as provided in the Agreement.

In his Statement of Answer, Respondent admitted entering into the Agreement, with Claimant. Respondent further denied every material allegation contained on the Statement of Claim. In addition, Respondent asserted the following affirmative defenses:

1. Respondent and Oberweis entered into an Agreement on principal terms which had replaced an nullified the Agreement. The Agreement on principal terms limited Respondent's subscription to a total of \$750,000.00.
2. On or about November 17, 1988, Oberweis released Respondent from all claims which it may have had against Respondent arising prior to that date in consideration for Respondent's assistance in connection with certain business and regulatory problems experienced by Oberweis.
3. Oberweis, by its principal, James D. Oberweis, fraudulently induced Respondent to enter into the Agreement and to purchase the Subordinated Debt Agreements. Oberweis knowingly or recklessly misrepresented several material facts in connection with the Agreement and Subordinated Debt Agreements. The false representations related to, among other things, the following:
 - a. Oberweis' non-compliance with net capital requirements;
 - b. The ongoing commercial liability of Oberweis and the general financial condition of Oberweis;
 - c. Oberweis' financial prospects'
 - d. The existence of serious regulatory proceedings pending against Oberweis; and,
 - e. The number and status of customer complaints.

4. Respondent asserted a right of set-off against Oberweis by reason of Oberweis' default on three Subordinated Loan Agreements entered into between Oberweis and Respondent in the total principal amount of \$750,000.00.
5. The claim asserted in the Statement of Claim was previously asserted by Oberweis in a lawsuit filed in the Circuit Court of Cook County, No. 89 L 9406.

RELIEF REQUESTED

Claimant requested an award in the amount of \$250,000.00 plus interest, costs and attorney's fees.

Respondent requested that Claimant's claim be denied.

OTHER ISSUES CONSIDERED & DECIDED

Respondent Ronald A. Alghini did not file with the NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant to Section 8 of the NASD Code of Arbitration Procedure and having answered the claim, appeared and testified at the hearing is bound by the determination of the arbitration panel on all issues submitted.

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 originals 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. Claimant, J. William Holland, SIPC Trustee for Oberweis Securities, Inc.'s claims are hereby denied and dismissed with prejudice.
2. Each party shall bear its own costs of this arbitration, except as set forth more fully below.

FORUM FEES

Pursuant to Section 44(c) of the Code of Arbitration Procedure, the following Forum Fees are assessed.

2 hearing sessions X \$750.00 = \$1,500.00

Pursuant to Section 44(c) of the Code of Arbitration, the NASD shall retain the nonrefundable filing fee in the amount of \$500.00, and shall retain the hearing session deposit in the amount of \$750.00 previously paid to the NASD by the Claimant.

Additional forum fees in the amount of \$750.00 are assessed against Claimant.

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

Concurring Arbitrators' Signatures
Name

Date

David O. Juveland /s/
David O. Juveland, Esq.
Presiding Chair
Industry Arbitrator

June 11, 1992

Robert E. Waite /s/
Robert E. Waite
Industry Arbitrator

June 10, 1992

Sharon A. Mehr /s/
Sharon A. Mehr
Industry Arbitrator

June 11, 1992

NASD decision served on: _____