

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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In the Matter of the Arbitration Between

Ruben Wolf

Claimant

CASE #92-00280  
AWARD

vs.

Dougherty, Dawkins, Strand & Yost, Inc.

Respondent

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CASE SUMMARY

In a claim filed with the National Association of Securities Dealers, Inc. on January 27, 1992, Claimant Ruben Wolf by and through his personal representative Bruce Pearson, alleged that in October of 1986 he was solicited by Respondent Dougherty, Dawkins, Strand & Yost, Inc. to purchase some Tax Free MIDA bonds, of which Respondent was the underwriter. Claimant further alleged that the bonds were secured by a first mortgage and security interest in the project; assignment of leases and rents from the project; and a reserve fund whereby no sinking fund was established to pay off the bonds, instead of a remarketing scheme was set up to buy back the bonds. Claimant contended that the General Partners eventually defaulted on the bond obligations and the bondholders only remedy was to trade title to the building, at which time, on April 16, 1990 the trustee found that identifiable hazardous materials had to be removed at a cost of \$4,324,130.00 whereby putting the building at a negative net worth of \$1,000,000.00. Claimant further contended that it was Respondent's obligation and duty to perform the required "due diligence" on the General Partner, who was involved in special projects which were in serious financial condition or in default. Claimant asserted that due to Respondent's failure to properly perform the required due diligence, Claimant lost his investment.

Respondent Dougherty, Dawkins, Strand & Yost, Inc. by and through their in-house counsel Frank A. Taylor, Esq., of Popham, Haik, Schnobrich & Kaufman, Ltd., Minneapolis, Minnesota, maintained that Claimant Ruben Wolf's Statement of Claim fails to specify what Respondent allegedly did wrong or failed to do. Respondent further maintained that all of the alleged wrongdoing appears to have been done by the developer and operator. Respondent further maintained that they had no knowledge of any wrongdoing, therefore, cannot be held liable.

**RELIEF REQUESTED**

Claimant Ruben Wolf requested \$5,000.00 in actual damages plus interest and costs.

Respondent Dougherty, Dawkins, Strand & Yost, Inc. requested the claim be dismissed.

**AWARD**

Pursuant to Section 13 of the National Association of Securities Dealers, Inc. Code of Arbitration Procedure, a single Public Arbitrator, Douglas J. Nesbit, was selected to review and determine the matter in controversy between the parties set forth in submissions to Arbitration signed by the Claimant on February 11, 1992 and by the Respondent on March 27, 1992.

And, the Arbitrator, having considered the proof of the Parties, has decided and determined in full and final resolution of the issues submitted for determination as follows:

1. The claim of Claimant Ruben Wolf against Respondent Dougherty, Dawkins, Strand & Yost, Inc. is dismissed.
2. The parties shall bear their respective costs.
3. The \$125.00 filing fee previously deposited with the National Association of Securities Dealers, Inc. by the Claimant Ruben Wolf shall be retained by the NASD, Inc.

**AFFIRMATION**

I, DOUGLAS J. NESBIT, do hereby affirm upon my oath as arbitrator that I am the individual described herein and who executed this instrument, which is my oath and award.

  
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Signature of Arbitrator

DATE OF DECISION: January 15, 1993