

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Alice Dickey

92-02661

Name of Respondents

Equico Securities, Inc.,
Cornwall Securities, Inc.,
and Bruce E. Melroe, Third-Party

REPRESENTATION OF PARTIES

For Claimant at the hearing: Bruce Pearson, Fargo, North Dakota.

For Respondent Cornwall Securities, Inc.: Barry J. Berman, Cornwall Securities, Inc., Great Neck, New York. For Respondent Equico Securities, Inc. at the hearing: Gregory J. Stenmoe, Esq. of Briggs and Morgan, Minneapolis, Minnesota. For Respondent Bruce Melroe: Pro Se.

CASE INFORMATION

Statement of Claim filed: August 10, 1992. 'Claimants' Submission Agreement signed on: July 30, 1992.

Statement of Answer, Motion To Dismiss, Counterclaim, and Third-party claim filed by Respondent, Equico Securities, Inc. on: October 22, 1992.

HEARING INFORMATION

Hearing date: January 20, 1994 for two (2) sessions:
January 21, 1994 for two (2) sessions.

Hearing Location: Minneapolis, Minnesota.

At the hearing, Respondent, Equico Securities, Inc. withdrew, without prejudice, their cross-claim against third-party Respondent, Bruce Melroe.

Respondent Cornwall Securities, Inc. 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 Code. Cornwall Securities did not file an Answer to the claim, but the panel determined that Cornwall had proper notice of the claim filed against them and proper notice of the hearing date and location, and therefore, Respondent Cornwall Securities, Inc. is bound by the determinations of the panel.

Respondent Equico Securities, Inc. 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 Code, and having answered the claim, appeared and testified, is bound by the determination of the panel.

The parties present at the hearing have agreed that the Award in this matter may be executed by 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 remains 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. The claim against Respondent Equico Securities, Inc. is denied;
2. Respondent Cornwall Securities, Inc. shall be and hereby is liable for, and shall pay to the Claimant, Alice Dickey, damages in the amount of Twenty Seven Thousand Dollars (\$27,000.00);
3. Respondent Cornwall Securities, Inc. shall be and hereby is liable for, and shall pay to the Claimant, Alice Dickey, interest on the Twenty Seven Thousand Dollars as set forth above, at an annual rate of seven percent (7%) from October 1986 until payment is made on the Twenty Seven Thousand Dollars;
4. Claimant's request for punitive damages is denied;
5. Each of the parties shall bear their own costs and expenses, including attorney's fees and representative's fees, other than those specifically enumerated under Forum Fees below.

CASE SUMMARY

Claimant Alice Dickey ("Dickey") alleged that third-party Respondent, Bruce Melroe ("Melroe") devised a scheme to defraud Dickey and embezzled money from her during the time he was employed as a registered broker with Respondent Cornwall Securities, Inc. ("Cornwall") from March 1986 to about February 1987 and Equico Securities, Inc. ("Equico") from February 1987 to about August 1987.

More specifically, Dickey alleged that Melroe induced her to write checks to him in which Melroe would invest for her, but instead he deposited the money in his own account. Dickey alleged that as a result of Melroe's actions, Equico and Cornwall are guilty of negligence, failure to supervise and unlawful conversion of clients funds.

Respondent Equico, in their Answer, Motion To Dismiss, Counterclaim and Third-Party Claim, alleged that Dickey never had an account with them and has never been a customer of Equico, and therefore requests that the case be dismissed for lack of jurisdiction. Equico alleged that during the brief time Melroe was employed by them, Melroe gave no indication that he at any time was acting on behalf of Dickey.

Claimant Dickey, in their response to the Answer, Motion To Dismiss, Counterclaim and Third-Party claim alleged that the NASD has jurisdiction because Melroe represented himself as a licensed security salesman with Equico, and Equico therefore has responsibility for supervision of its brokers.

Respondent Equico, in their response to Dickey's response to their Answer, alleged that there is no evidence that Dickey ever gave money to Melroe in reliance on Melroe's brief association with Equico.

RELIEF REQUESTED

Claimant requested principal in the amount of \$111,417.00, 7% interest for six years for a total amount of \$46,769.00, punitive damages in the amount of \$335,000.00, legal fees in the amount of \$5,617.00, and filing fees in the amount of \$950.00 for a total claim of \$499,753.00. Claimant also requested that the Motion To Dismiss be denied.

Respondent, Equico Securities, Inc. requested that they be dismissed for lack of jurisdiction and on the merits.

OTHER ISSUES CONSIDERED & DECIDED

At the hearing, counsel for Equico Securities, Inc. made a Motion To Dismiss the claim filed against them. The panel denied the motion.

FORUM FEES

Pursuant to Section 43(c) of the NASD Code of Arbitration Procedure, the following forum fees are assessed:

4 hearing sessions X \$750.00 = \$3000.00

Pursuant to Section 43(c) of the Code of Arbitration, the NASD shall retain the nonrefundable filing fee in the amount of \$200, and shall retain the hearing session deposit in the amount of \$750 previously paid to the NASD by the Claimant.

Additional forum fees in the amount of \$2250 are assessed, jointly and severally, against Respondents Equico Securities, Inc. and Cornwall Securities, Inc.

Additional forum fees assessed by the panel are payable to the National Association of Securities Dealers, Inc.

By The Arbitration Panel:

Dated:

3-9-94

s/s

Casandra Mihalchick, Esq.

Casandra Mihalchick, Esq.

Presiding, Public Arbitrator

3-4-94

s/s

Douglas J. Nesbit

Douglas J. Nesbit

Public Arbitrator

3-9-94

s/s

Edward C. Oliver

Edward C. Oliver

Industry Arbitrator

Date Award Served By The NASD: 3-16-94