

**N.A.S.D. AWARD**

**NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.**

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In the Matter of the Arbitration Between

Name of Claimant

Kemper Securities, Inc.

and

93-04271

Name of Respondent

John C. Reed

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**REPRESENTATION OF PARTIES**

Claimant, Kemper Securities, Inc. ("Kemper") was represented at the hearing by A. Brad Busscher, Esq., of Kemper Securities, Inc., Chicago, Illinois.

Respondent John C. Reed ("Reed") was represented at the hearing by Gregory A. Adamski, Esq. of Adamski & Conti, Chicago, Illinois.

**CASE INFORMATION**

The Statement of Claim was filed on October 15, 1993. Reply to the Answer and Counterclaim filed by Respondent on January 4, 1994. Submission Agreement of Claimant was signed on October 14, 1993.

Statement of Answer and Counterclaim was filed by Respondent on January 10, 1994. Response to the Reply of the Answer and Counterclaim filed on January 24, 1994.

**HEARING INFORMATION**

The hearing was held on July 14, 1994 for two sessions and on July 15, 1994 for two sessions in Chicago, Illinois for a total of four sessions.

**CASE SUMMARY**

Claimant, Kemper alleged that Respondent Reed failed to follow the terms of his Promissory Note which he signed and entered into prior to employment with Kemper as an investment consultant.

Respondent, Reed, in his answer, generally denied the allegations set forth in the claim. In his counterclaim, Reed alleged that Kemper failed to deal with him fairly, refused to allow him to conduct his customer's business without undue interference, stopped him from trading, foisted upon him and his customers a fraudulent "wrap" program that effectively amounts to reverse churning, terminated his employment and then falsely reported to the N.A.S.D. and to the public that he voluntarily terminated his employment.

In their Reply to the Counterclaim, Kemper stated that the Counterclaim clearly is without merit. Kemper stated that they made several good faith attempts to assist Reed in adapting his concept to the Kemper PMC Program.

In his Reply to the Reply to the Counterclaim, Reed stated that Kemper's Reply misrepresented that Reed has a defense to the promissory note and has a valid Counterclaim.

#### **RELIEF REQUESTED**

Claimant requested the principal balance due under the note in the amount of \$120,000.00, interest, costs, expenses and attorney's fees in the amount of \$12,675.00, and any other relief as the panel deems just. Claimant also requested that the Counterclaim be dismissed in its entirety and award Kemper all relief requested in the Statement of Claim.

Respondent Reed requested that an award be found in his favor in an amount in excess of \$500,000.00, costs and fees and all other appropriate relief.

#### **OTHER ISSUES CONSIDERED & 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 originals remain on file with the N.A.S.D.

#### **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:

##### **Statement of Claim**

1. Respondent John C. Reed shall be and hereby is liable for and shall pay to the Claimant, Kemper Securities, Inc., damages in the amount of One Hundred, Forty Thousand Dollars and No Cents (\$140,000.00);
2. Each of the parties shall bear their own costs and expenses other than those specifically enumerated for herein;

**Counterclaim**

3. Respondent's counterclaim is denied and dismissed in its entirety.

**FORUM FEES**

Pursuant to §43(c) of the N.A.S.D. Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("N.A.S.D.") shall retain the non-refundable filing fee in the amount of \$500.00 and shall retain as forum fees the hearing session deposit in the amount of \$750.00 previously deposited with the N.A.S.D. by the Claimant.

Forum fees are calculated at the rate of \$750.00 per hearing session (x 4 hearing sessions minus hearing session deposit of \$750) = \$2250 due to the N.A.S.D.

The panel has ordered that Claimant, Kemper Securities shall pay additional forum fees in the amount of \$750 and Respondent, John Reed shall pay additional forum fees in the amount of \$1500 to the N.A.S.D.

*Additional Forum Fees assessed by the panel are payable to the National Association of Securities Dealers, Inc.*

**By The Arbitration Panel:**

Perry L. Taylor, Jr. s/s

Dated:  
July 29, 1994

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Perry L. Taylor, Jr., Esq.  
Industry Arbitrator, Presiding Chair

Ralph Pierce s/s

August 1, 1994

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Ralph Pierce  
Industry Arbitrator

Martin D. Cohen s/s

August 2, 1994

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Martin D. Cohen  
Industry Arbitrator

Date Award Served By the N.A.S.D.: August 10, 1994.