

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

Prudential Securities, Inc.

94-00206

Name of Respondent

Neal Kohlhaas

REPRESENTATION

For Claimant Prudential Securities, Inc. ("Prudential") appeared William Rogers, Esq. of the law firm Mirick, O'Connell, Demallie & Lougee, Worcester, MA.

For Respondent Neal Kohlhaas ("Kohlhaas") appeared John P. Cione, Esq., Solana Beach, CA.

CASE INFORMATION

The Statement of Claim was filed on January 13, 1994.

Claimant's Submission Agreement was signed on January 14, 1994.

A Statement of Answer was filed on behalf of Respondent Neal Kohlhaas on February 15, 1994. Respondent Neal Kohlhaas's Submission Agreement was signed on February 14, 1994.

HEARING INFORMATION

Pre-Hearing Conference:	January 5, 1994	-	One Session
Hearing Dates/Sessions:	October 7, 1994	-	Two Sessions
	January 9, 1995	-	Two Sessions
	January 10, 1995	-	Two Sessions
	April 5, 1995	-	One Session
	April 28, 1995	-	Two Sessions

CASE SUMMARY

Claimant alleged that Respondent was loaned the sum of \$150,000.00 when he became employed by Prudential Securities, Inc. Claimant also alleged that Respondent voluntarily signed a promissory note concurrent with his execution of the employment agreement. It was further alleged that by the terms of the note, Respondent Kohlhaas is obligated to repay \$150,000.00, plus interest at 8% per annum in five equal annual installments of \$30,000.00, plus interest accrued on the 30th day of December, 1993, 1994, 1995, 1996 and 1997. In addition, Claimant alleged that pursuant to the terms of the Note, the loan would become immediately due and payable upon the termination of Respondent's employment with Prudential for whatever reason. Claimant alleged that respondent resigned from Prudential on June 4, 1993 at which time a balance of \$150,000.00 became due and owing. Claimant alleged that on or about July 15, 1993, Prudential issued a demand to Respondent requesting that he honor his obligation under the Note which Respondent failed and refused to do.

Respondent maintained that at the time he was recruited to work for the Claimant he was told he would be given a \$250,000.00 up-front bonus. Respondent also maintained that subsequent to joining Prudential, the commissions from the accounts that transferred with Respondent were never directed or credited to him thereby creating mental and financial hardship for Respondent and his wife. Respondent maintained that he and his wife were recruited as a team and expected the gross from these accounts would assist them in handling their necessary finances incurred when they moved from California to Connecticut.

It was further maintained by the respondent that after committing to a \$250,000.00 bonus, Prudential advised him that the bonus would actually be \$200,000.00. Respondent maintained that he kept to his part of the agreement and moved to Connecticut only to be told two weeks later that his bonus would be \$150,000.00. At or about the same time, Respondent was also advised that his moving expenses would not be reimbursed. Respondent maintained that the changes in the deal made it impossible for Respondent to function as he had in the past.

RELIEF REQUESTED

Claimant requested that it be granted an award against respondent Kohlhaas for the following:

1. The sum of \$150,000.00 based on Kohlhaas default in repayment of the note; and
2. Interest on the above-referenced sum, at the contract rate of 8% per annum from June 4, 1993, to the date of payment; and
3. The cost of collection and of this proceeding including reasonable attorneys' fees as Respondent agreed to pay under the terms of the Note; and
4. Any other relief as the arbitrators deem fit.

Respondent requested that the panel dismiss the claim of Prudential Securities, Inc. for breaching industry related promises. Respondent further requested that the panel not grant any award on

Prudential's claim.

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 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. Respondent Kohlhaas be and hereby is liable to the Claimant in the sum of \$135,632.65, representing the prorated portion of the Promissory Note less unreimbursed travel expenses.
2. Respondent Kohlhaas be and hereby is liable to the Claimant for simple interest at the contractual rate of 8% from the date of the award.
3. Each party shall bear their respective costs, including attorneys fees.
4. All other claims be and hereby are denied.

FORUM FEES

Pursuant to Section 44c of the Code of Arbitration Procedure, the arbitrators have determined that the following Forum Fees are assessed:

non-refundable filing fee	=	\$ 500.00
1 pre-hearing session X \$300.00	=	\$ 300.00
9 sessions X \$750.00	=	<u>\$6,750.00</u>
TOTAL FEES ASSESSED	=	\$7,550.00

1. Claimant Prudential Securities, Inc. be and hereby is liable and shall pay to the NASD the sum of \$3,775.00 representing one-half of the forum fees assessed. However, Prudential previously deposited \$1,250.00 with the NASD. Therefore, the amount owed to the NASD is \$2,525.00.
2. Respondent Neal Kohlhaas be and hereby is liable and shall pay to the NASD the sum of \$3,775.00 representing one-half of the forum fees assessed.

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

Concurring Arbitrators' Signatures
Name


Vicki Z. Holleman, Esq.

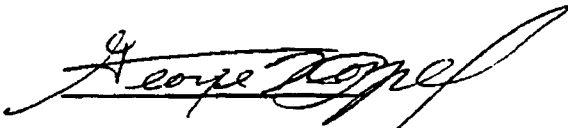
Fred Shinagel

William E. O'Mara

STATE OF *NEW YORK*

COUNTY OF *Kings*

On this 29 day of JUNE, 1995, before me personally appeared
VICKIE Z HOLLEMAN known to me to be the individual described in and who executed the
foregoing instrument and duly acknowledged to me that he/she executed the same.



GEORGE KOPPEL
Notary Public, State of New York
No. 24-4691583
Qualified in Kings County
Commission Expires January 31, 1996

Date of Decision: July 11, 1995

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

Concurring Arbitrators' Signatures
Name

Vicki Z. Holleman, Esq.

Fred Shinagel
Fred Shinagel

William E. O'Mara

STATE OF

COUNTY OF

On this 6 day of July, 1995, before me personally appeared Fred Shinagel known to me to be the individual described in and who executed the foregoing instrument and duly acknowledged to me that he/she executed the same.

Deborah A. DeJesus

DEBORAH A. DEJESUS
Notary Public, State of New York
No. 02DE5022979
Qualified in New York County
Commission Expires January 24, 1996

Date of Decision: July 11, 1995

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

Concurring Arbitrators' Signatures
Name

Vicki Z. Holleman, Esq.

Fred Shinagel

William E. O'Mara
William E. O'Mara

STATE OF

COUNTY OF

On this 5th day of July, 1995, before me personally appeared William E. O'Mara known to me to be the individual described in and who executed the foregoing instrument and duly acknowledged to me that he/she executed the same.

Calixta Daly
CALIXTA DALY
Notary Public, State of New York
No. 4618106, Richmond County
Cert. Filed in New York County
Commission Expires July 30, 1997

Date of Decision: July 11, 1995