

N.A.S.D. AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS

In the Matter of the Arbitration Between

Name of Claimant

David A. Schroeder

94-00791

Name of Respondents

Craig Hallum, Inc.
Jerry Westling

REPRESENTATION

The Claimant, David A. Schroeder, ("Schroeder"), was represented by Rebecca Bender of Rebecca Bender and Associates located in Minneapolis, Minnesota.

The Respondents, Craig-Hallum, Inc. ("Craig-Hallum") and Jerry Westling ("Westling") were represented by Terrence J. Flemming of Lindquist & Vennum located in Minneapolis, Minnesota.

CASE INFORMATION

The Statement of Claim was filed on or about February 28, 1994.

The Claimant's Submission Agreement was signed on February 26, 1994.

The Joint Statement of Answer was filed by Respondents on or about April 26, 1994.

Respondent Craig-Hallum's Submission Agreement was signed by J.D. Fleming an officer of Craig-Hallum on April 25, 1994.

Respondent Westling's Submission Agreement was signed on April 25, 1994.

HEARING INFORMATION

There were two Pre-Hearing Conferences held on August 30, 1995 for one (1) session and November 21, 1995 for one (1) session.

Hearing Date were December 13, 1995 for three (3) sessions, December 14, 1995 for two (2) sessions, and December 15, 1995 for two (2) sessions.

The hearing location was Minneapolis, Minnesota.

CASE SUMMARY

Claimant, alleged that Schroeder purchased Finalco Equipment Trust III based upon solicitations by Respondents. Specifically, Schroeder alleged the following causes of action in connection with the purchase and solicitations: Breach of Contract and NYSE know your customer rule; Violation of Minn. Stat. Section 325 F.68, et seq.; Common Law Fraud; Negligent Misrepresentation/negligence; Common

Law Rescission as to all Respondents; Liability against Respondent Craig-Hallum under respondeat superior.

Respondents denied liability in this matter and denied each of Claimant Schroeder's allegation. Respondents alleged that Claimant was a sophisticated investor who did not rely on Westling in making the investment in Finalco Equipment Trust III. Claimant also asserted the following defenses: Claimant's Claims were time-barred; All Claims based on securities laws are time-barred; Craig-Hallum violated no duties owed to Claimant; The Damages suffered by Claimant were caused by his own conduct; There is no cause of action for violation of SRO rules.

RELIEF REQUESTED

Claimant requested the following relief:

- (1). Out of pocket losses on the \$33,000.00 investment he made;
- (2). Twice the amount Schroeder paid Respondents as commissions;
- (3). Market adjusted damages;
- (4). Rescission of Schroeder's Finalco Limited partnership purchases;
- (5). Punitive damages under all counts;
- (6). Attorneys fees;
- (7). Prejudgment interest;
- (8). Post judgment interest, costs, filing and hearing fees and other disbursements;
- (9). Further relief as the tribunal deems equitable, including but not limited to a disciplinary referral.

Respondents requested that Claimant's Claim be dismissed in its entirety and that they be awarded their attorney's fees and costs incurred in having to respond to the 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.

The Respondents filed a motion to dismiss in this matter which was responded to by Claimant and argued at the hearing. The panel took it under advisement and reserved its ruling on the motion. The motion is hereby denied.

AWARD

After considering the pleadings, the testimony and the evidence presented at the hearing and post hearing submissions, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

- (1). That the Respondents are jointly and severally liable for and shall pay to Claimant Schroeder \$46,110.00 in compensatory damages;
- (2). That other than forum fees which are addressed below, all relief not specifically awarded is denied.

FORUM FEES

Pursuant to Section 43c of the Code of Arbitration Procedure, the following Forum Fees are assessed.

Seven (7) sessions with the entire panel X \$400.00 = \$2,800.00 minus hearing session deposit of \$400.00 = \$2,400 and two (2) hearing sessions with one arbitrator X \$300.00 = \$600.00 for a total net due the NASD of \$3,000.00.

Forum fees are assessed jointly and severally against the Respondents. Therefore, the Respondents are jointly and severally liable for and shall pay the NASD \$3,000.00. The Respondents are also jointly and severally liable for and shall pay to reimburse Claimant Schroeder the forum fees that he previously deposited with the NASD in the amount of \$520.00. for his non-refundable filing fee and initial hearing session deposit.

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

Concurring Arbitrators' Signatures:

Name:

/s/ David Kingstad
David Kingstad
Chairperson
Public Arbitrator

3-7-96
Dated

/s/ Mica Duncan
Mica Duncan
Industry Arbitrator

3/11/96
Dated

/s/ Anna M. Wooten
Anna M. Wooten
Public Arbitrator

3/13/96
Dated

For NASD Use Only

Date Award Served on the Parties: March 14, 1996