

**NATIONAL ASSOCIATION OF SECURITIES DEALERS  
AWARD**

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In the Matter of the Arbitration Between

Richard M. Kanold,

Claimant,

v.

NASD No. 95-130

Gene L. Roach, V. Eric Roach, Wilshire  
Discount Securities, a division of Robert  
Scott Securities, Inc., Wilshire Discount  
Securities, Ralph T. Lachman, Robert Bronfman,  
Dr. Donald Chalmers, Wilshire Commercial  
Group, Ltd., Wilshire Futures, Inc. and  
Wilshire Clearing, Inc.,

Respondents.

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***Representation***

For Claimants: Richard M. Kanold, Pro se

For Respondent:

V. Eric Roach: Lawrence Washor, Esq. of Washor & Associates, Los Angeles, CA  
Gene Roach: Pro se, Riverside, CA  
Wilshire Discount Securities: Pro se, Irvine, CA  
Ralph Lachman: Bruce McKee, Esq., San Francisco, CA  
Robert Bronfman: Leslie Blau, Esq., of Blau & Kokoszka, Chicago, IL  
Donald Chalmers: Robert Wolin, Esq., Houston, Tx.  
Wilshire Clearing: Pro se, Belvedere, CA  
Wilshire Commercial Group: Bruce McKee, Esq., San Francisco, CA  
Wilshire Futures: Pro se, Belvedere, CA

***Case Information***

Statement of Claim filed: January 9, 1995

Claimant's Submission Agreement signed: December 29, 1994

Statement of Answer of Respondents filed on: V. Eric Roach - April 3, 1995, Ralph Lachman - March 24, 1995. Although duly served, respondents Gene Roach, Wilshire Discount Securities, Robert Bronfman, Donald Chalmers, Wilshire Clearing, Wilshire Commercial Group and Wilshire Futures did not file Answers.

Respondents' Submission Agreement signed on: Ralph Lachman - March 21, 1995. Although duly served, no other respondent filed a submission agreement. With the exception of Donald Chalmers, who was dismissed on May 1, 1995 by the National Association of Securities Dealers (NASD) under Section One of the Code of Arbitration Procedure, all other respondents were subject to the jurisdiction in accordance with NASD Code of Arbitration Procedure Section 12.

### ***Hearing Information***

Prehearing Conference Date(s)/Sessions: None

Hearing Date/Sessions: January 9, 1996/one

Hearing Location: Los Angeles, CA

### ***Case Summary***

Claimant Richard Kanold (Kanold) alleged negligence, misrepresentation and fraud in the purchase of Wilshire Discount Securities. Claimant alleged he received a Private Placement Memorandum (PPM) which indicated that Wilshire Commercial Group would expand and own a discount futures division and discount brokerage company. Kanold further alleged that after purchasing four units for \$5,000 per unit, he received notice there was a problem with the control of the money and direction of the company and learned there was a lawsuit filed against Wilshire Discount Securities and Gene Roach. Claimant maintained that the offering did not follow the intentions that were set forth in the PPM.

Respondent V. Eric Roach, who settled with claimant prior to the arbitration hearing, filed an Answer which denied all allegations of wrongdoing and alleged Kanold was a knowledgeable and sophisticated investor. He further alleged that he did not speak with claimant regarding buying stocks or bonds in Wilshire Discount Securities or Wilshire Commercial Group. Mr. Roach also alleged that the PPM was sent to all potential purchasers and it explained all risks of the offering but did not state what claimant has alleged. Respondent maintained that he was not aware of any NASD of Securities and Exchange Commission ruling on the offering, only disciplinary proceedings against Gene Roach.

Respondent Ralph Lachman (Lachman) denied all allegations of wrongdoing and alleged he personally made no representations to any PPM investor and had only minimal contacts with investors prior to June 1990, when he sent them notice of Gene Roach's misuse of proceeds from the PPM offering. Lachman alleged he had custody of only \$86,000 of the \$485,000 raised

pursuant to the PPM, which he used to retire a portion of Wilshire Commercial Group's bank debt and for working capital; Gene Roach refused to tell Lachman what he had done with the \$399,000 in his custody. Lachman further alleged he did not agree that any of the proceeds could be placed in a special brokerage account controlled by Gene Roach or that the proceeds could be used by Roach to speculate in the stock market. Lachman maintained that any wrongdoing and damages were attributable to others.

No other Answers were filed.

### ***Relief Requested***

Claimant requested:

1. Compensatory damages for loss of principal of \$20,000;
2. Interest of \$10,378;
3. Costs of \$520;
4. Punitive damages of \$19,000.

### ***Other Issues Considered and 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.

Respondents V. Eric Roach and Robert Bronfman settled with claimant and were dismissed prior to the arbitration hearing. Respondent Donald Chalmers was dismissed by the NASD in accordance with Section One of the Code of Arbitration Procedure on May 1, 1995. Respondents V. Eric Roach's, Ralph Lachman's and Robert Bronfman's Motions to Dismiss were denied on May 1, 1995.

### ***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. Respondents Wilshire Discount Securities, Inc. and Gene L. Roach are jointly and severally liable for and shall pay claimant Richard Kanold \$10,100 in compensatory damages;
2. All other claims are dismissed;
3. All claims against all other respondents are dismissed;
4. The claim for punitive damages is dismissed;

5. The parties shall each bear their respective attorney's fees;
6. The parties shall each bear their respective costs.

***Other Costs***

None.

***Forum Fees***

Pursuant to Section 43(c) of the Code of Arbitration Procedure, the following forum fees are assessed: The National Association of Securities Dealers, Inc., shall retain the \$400 hearing session deposit previously paid by the claimant. Forum fees are assessed against claimant calculated as follows:

Total forum fees assessed (one session @ \$400/session)	\$	400
Claimant's assessment		400
Claimant's balance due		0
Respondents' assessment		0

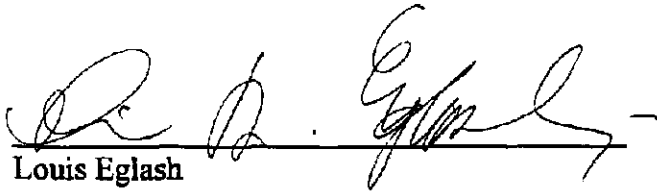
No adjournment fees were assessed.

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

***Arbitration Panel***

<b><i>Name</i></b>	<b><i>Public/Industry</i></b>
Louis Eglash	Public
Homer White	Public
George Rosen	Industry

***Concurring Arbitrators' Signatures***

  
Louis Eglash

\_\_\_\_\_  
Homer White

\_\_\_\_\_  
George Rosen

***Date of Decision:***

**Date served: 1/30/96**

***Concurring Arbitrators' Signatures***

\_\_\_\_\_  
Louis Eglash

*Homer L. White*

\_\_\_\_\_  
Homer White

\_\_\_\_\_  
George Rosen

***Date of Decision:***

Date served: 1/30/96

*Jan 9, 1996*

*Concurring Arbitrators' Signatures*

\_\_\_\_\_  
Louis Eglash

\_\_\_\_\_  
Homer White

*George I. Rosen*  
\_\_\_\_\_  
George Rosen

*Date of Decision:*

Date served: 1/30/96