

## NASD AWARD

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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In the Matter of the Arbitration Between

Name of Claimant

Patricia A. Ruffolo

and

95-03519

Name of Respondent

Rothschild Global Investments, Inc.

William C. Gerhauser

William H. Gerhauser

Lars Bredal

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### REPRESENTATION OF PARTIES

Patricia A. Ruffolo ("**Claimant**") was represented by Arne R. Rode, Esq., Chicago, Illinois.

Rothschild Global Investments, Inc. ("**Respondent Rothschild**") and William H. Gerhauser were not present or represented at the hearing.

William C. Gerhauser ("**Respondent Gerhauser**") was represented by Robert Savage, Esq., Tampa, Florida.

Lars Bredal ("**Respondent Bredal**") appeared *pro se*.

### CASE INFORMATION

The Statement of Claim was filed on or about July 21, 1995. Submission Agreement of Claimant Patricia A. Ruffolo was signed on July 17, 1995.

Statement of Answer was filed by Respondents Rothschild Global Investments, Inc. and William C. Gerhauser on or about September 5, 1995. Submission Agreement of Respondent Rothschild Global Investments, Inc. was signed on September 6, 1995 by William Gerhauser. Submission Agreement of Respondent William C. Gerhauser was signed on September 6, 1995.

Statement of Answer was filed by Respondent Lars Bredal on or about April 12, 1996.

### **HEARING INFORMATION**

The hearing was held on Monday, May 6, 1996 in Chicago, Illinois for a total of two (2) sessions.

### **CASE SUMMARY**

Claimant alleged that Respondents engaged in violations of the Federal Securities Laws, breached their fiduciary duty to her, violated the Illinois Securities laws, engaged in consumer fraud and were negligent. Specifically, Claimant alleged that Respondents made unsuitable investment recommendations to her and made material misrepresentations regarding the investments in Spectrum Information Technologies, Inc. and Tsingtao Brewery, Ltd.

Respondents Rothschild and Gerhauser denied the allegations set forth in the Statement of Claim and specifically stated that the Claimant was a knowledgeable and sophisticated investor who approved each trades made in her account. It was also stated by Respondents Rothschild and Gerhauser that Respondent Bredal contacted the Claimant prior to each transaction in her account and received approval to make the trade.

Respondent Bredal denied the allegations set forth in the Statement of Claim and specifically stated that the stocks purchased by the Claimant were the types of stocks that she wanted to purchase. It was also stated that the Claimant had not advised him that she was limited to \$50,000 of investment capital or that she was investing to gain \$10,000 annually as supplemental income.

### **RELIEF REQUESTED**

Claimant requested an award:

1. rescinding pursuant to §13 of the Illinois Securities Act, the sales to her of shares of Spectrum Information Technologies, Inc. and Tsingtao Brewery Ltd. with return to her of her full purchase price of the securities (less any amount realized by her on resale) plus interest at the statutory rate of 10% from time of investment; or in the alternative, an award of damages for her out-of-pocket losses in the amount of \$27,000 plus interest on the above sum from date of loss;
2. costs and attorneys' fees for bringing this arbitration;
3. punitive damages, in an amount to be determined by the arbitrator, sufficient to deter further fraudulent activity, and
4. such other relief as the arbitrators deem just and appropriate under the circumstances.

Respondents Rothschild and Gerhauser requested that the claims asserted against them be denied in their entirety.

Respondent Bredal requested that the claims asserted against him be dismissed.

### **OTHER ISSUES CONSIDERED & DECIDED**

At the commencement of the hearing, Claimant requested leave to amend the Statement of Claim to correct the record to the effect that the Claimant had named William C. Gerhauser and William H. Gerhauser as Respondents in this matter. After considering the positions of the parties, the undersigned arbitrator granted the request to amend, thereby adding William C. Gerhauser as a Respondent. Claimant also amended the Statement of Claim to allege that William C. Gerhauser was a control person of Respondent Rothschild Global Investments, Inc.

Respondent Lars Bredal did not file with the NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant to §12 of the NASD Code of Arbitration Procedure (the "Code") and having answered the claim, appeared and testified at the hearing is bound by the determination of the arbitrator on all issues submitted.

Respondent William H. Gerhauser did not file with the NASD a properly executed submission to arbitration but is required to submit to arbitration pursuant to §12 of the NASD Code of Arbitration Procedure (the "Code") and is bound by the determination of the arbitrator on all issues submitted.

The parties have agreed that a handwritten, signed Award may be entered. The parties have agreed to receive a conformed copy of the award while the original(s) remain on file with the NASD.

### **AWARD**

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

1. The claims asserted in this matter shall be and hereby are dismissed in their entirety.
2. Each party shall bear its own costs, expenses and attorneys' fees incurred in this matter not specifically enumerated herein.

### **FORUM FEES**

Forum fees are calculated at the rate of \$300 per hearing session and \$300 for each prehearing conference, if any. There were two (2) sessions x \$300 = \$600 in forum fees. Pursuant to §43(b) a hearing session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with an arbitrator, which lasts four (4) hours or less.

Pursuant to §43(c) of the NASD Code of Arbitration Procedure, the National Association of Securities Dealers, Inc. ("NASD") shall **retain** the non-refundable filing fee in the amount of \$100

and shall **retain** as forum fees the hearing session deposit in the amount of \$300 previously deposited with the NASD by the Claimant Patricia A. Ruffolo. Respondents Rothschild Global Investments, Inc., William C. Gerhauser, William H. Gerhauser, and Lars Bredal shall be and hereby are jointly and severally liable for and shall pay to the NASD the sum of \$300 as the balance due for forum fees. The NASD shall **refund** to the Claimant the sum of \$100 which represents the balance of the \$400 deposit previously made to the NASD by the Claimant

Pursuant to §45 of the NASD Code of Arbitration Procedure, the NASD shall **assess** the non-refundable member surcharge in the amount of \$200 against Respondent Rothschild Global Investments, Inc. **Fees are payable to the National Association of Securities Dealers, Inc.**

Dated:

/s/ Herbert S. Channick, Esq.

Herbert S. Channick, Esq.

Public Arbitrator, Presiding Chair

May 8, 1996