

**AWARD
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Name of Claimant

C.A.S.E. Credit Union

vs.

Name of Respondent

Prudential Equity Group, LLC

Case Number: 07-00712
Hearing Site: Detroit, Michigan

NATURE OF THE DISPUTE

Customer vs. Terminated Member

REPRESENTATION OF PARTIES

C.A.S.E. Credit Union ("Claimant" or "CASE") was represented by Samuel Benton Edwards, Esq., Shepherd, Smith, Edwards & Kantas, LLP, Houston, Texas.

Prudential Equity Group, LLC ("Respondent" or "PEG") was represented by Brian Witus, Esq., Hertz, Schram & Saretsky, PC, Bloomfield Hills, Michigan.

CASE INFORMATION

The Statement of Claim was filed on or about March 6, 2007. The Submission Agreement of Claimant was signed on or about February 1, 2007.

The Statement of Answer was filed by Respondent on or about May 9, 2007. The Submission Agreement of Respondent was signed on or about March 20, 2007 by Patrick Gaffney, Sr. VP, Corp. Counsel.

CASE SUMMARY

Claimant asserted the following causes of action: breach of contract and warranties; promissory estoppel; unfair trade and deceptive practices; violation of state securities statutes; violation of state fraud statutes; unjust enrichment; breach of fiduciary duty; breach of duty to Claimant for good faith and fair dealing; and vicarious liability. The causes of action related to the recommendation and investment in Collateralized Mortgage Obligations ("CMOs") and derivatives of CMOs, such as Interest Only strips ("I/Os"). Claimant alleged that its investment committee members met with an agent of

Respondent, Mark Wickard ("Wickard"), and asked him to review Claimant's portfolio and determine if there were changes he would recommend. Claimant alleged that Wickard recommended investing in CMOs and I/Os and based on his assurance that the recommendations were safe and suitable, Claimant made the investments. Claimant alleged that shortly after the investments were made, the investments began to show a loss and never recovered. Claimant alleged that eventually it was forced to seek the aid of another broker to sell the investments at a significant loss. Claimant further alleged that the Respondent's actions, including the unsuitable recommendations, misrepresentations, and its failure to supervise caused Claimant's loss.

Unless specifically admitted in its Answer, Respondent denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant failed to state a claim upon which relief can be granted; Claimant authorized or ratified all transactions; Claimant's claims are barred, in whole or in part, by the applicable statutes of limitation and equitable doctrines of waiver, estoppel, and/or laches; Respondent's conduct was not the proximate cause of any damages allegedly sustained by Claimant; Respondent acted in a reasonable, prudent and proper manner and in accordance with prevailing standards of care as set forth under all governing laws and rules; Respondent exercised reasonable judgment; Respondent acted in good faith; Respondent did not make any misrepresentations or omissions of material fact; Respondent maintained a reasonable system of supervision; Respondent did not owe fiduciary duties to Claimant; any alleged damages sustained by Claimant were the result of market forces and were otherwise the result of actions and omissions of individuals, entities and conditions over which Respondent had no control; Claimant failed to mitigate any damages; and Claimant was responsible, in whole or in part, for the complained of transactions and the alleged investment losses.

RELIEF REQUESTED

Claimant requested an award in the amount of:

| | |
|-----------------------------|----------------|
| Actual/Compensatory Damages | \$3,000,000.00 |
| Exemplary/Punitive Damages | Unspecified |
| Interest | Unspecified |
| Attorneys' Fees | Unspecified |
| Other Costs | Unspecified |
| Other Monetary Relief | Unspecified |
| Other Non-Monetary Relief | Rescission |

Respondent requested that the claims asserted against it be dismissed in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

The Panel acknowledges that they have each read the pleadings and other materials filed by the parties.

The hearing in this proceeding was recorded by audio tape and by certified stenographic reporter. The Panel made no determination in advance that the stenographic record would serve as the official record.

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.

AWARD

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

- 1.) Respondent, Prudential Equity Group, LLC, is liable for and shall pay to Claimant, C.A.S.E. Credit Union, the sum of \$900,000.00 in compensatory damages;
- 2.) Respondent, Prudential Equity Group, LLC, is liable for and shall pay to Claimant, C.A.S.E. Credit Union, the sum of \$48,443.00 in interest on the above-stated sum calculated at 6% pursuant to MCLA 451.810;
- 3.) Respondent, Prudential Equity Group, LLC, is liable for and shall pay to Claimant, C.A.S.E. Credit Union, the sum of \$30,000.00 in costs;
- 4.) Respondent, Prudential Equity Group, LLC, is liable for and shall pay to Claimant, C.A.S.E. Credit Union, the sum of \$50,000.00 in attorneys' fees pursuant to MCLA 451.810; and
- 5.) Any relief not specifically enumerated, including punitive damages and rescission, is hereby denied with prejudice.

Filing Fees

FINRA Dispute Resolution will retain the non-refundable filing fee for each claim:

Initial Claim filing fee = \$ 500.00

FINRA Dispute Resolution
 Arbitration No. 07-00712
 Award Page 4 of 5

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm that employed the associated person at the time of the events giving rise to the dispute. Accordingly, as a party, Prudential Equity Group, LLC is assessed the following:

| | |
|-------------------------|---------------|
| Member surcharge | = \$ 2,800.00 |
| Pre-hearing process fee | = \$ 750.00 |
| Hearing process fee | = \$ 5,000.00 |

Adjournment Fees

Adjournments granted during these proceedings:

| | |
|--|---------------|
| June 23 – 27, 2008, adjournment requested by Respondent | Waived |
| November 10 – 14, 2008, adjournment requested jointly by the parties | = \$ 1,200.00 |

Forum Fees and Assessments

The Panel has assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers or a contested motion for the issuance of a subpoena. A session is any meeting between the parties and the arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

| | |
|---|-----------------------|
| Two (2) Decisions on discovery-related motions on the papers with one (1) arbitrator @ \$200.00 | = \$ 400.00 |
| Claimant submitted two (2) discovery-related motions | |
| One (1) Pre-hearing session with Panel x \$1,200.00 | = \$ 1,200.00 |
| Pre-hearing conference: October 15, 2007 | 1 session |
| Nine (9) Hearing sessions x \$1,200.00 | = \$ 10,800.00 |
| Hearing Dates: | |
| May 4, 2009 | 2 sessions |
| May 5, 2009 | 2 sessions |
| May 6, 2009 | 2 sessions |
| May 7, 2009 | 2 sessions |
| May 8, 2009 | 1 session |
| Total Forum Fees | = \$ 12,400.00 |

The Panel has assessed \$12,400.00 of the forum fees to Prudential Equity Group, LLC.

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Jeffry M. Bauer – Public Arbitrator, Presiding Chair
Patrick R. Sughroue - Public Arbitrator
William C. Kubicz - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

/s/ Jeffry M. Bauer
Jeffry M. Bauer
Public, Presiding Chair

May 14, 2009
Signature Date

/s/ Patrick R. Sughroue
Patrick R. Sughroue
Public Arbitrator

May 14, 2009
Signature Date

/s/ William C. Kubicz
William C. Kubicz
Non-Public Arbitrator

May 15, 2009
Signature Date

May 15, 2009
Date of Service (For FINRA office use only)

FINRA Dispute Resolution
Arbitration No. 07-00712
Award Page 5 of 5

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Jeffry M. Bauer – Public Arbitrator, Presiding Chair
Patrick R. Sughroue - Public Arbitrator
William C. Kubicz - Non-Public Arbitrator

Concurring Arbitrators' Signatures:



Jeffry M. Bauer
Public, Presiding Chair



Signature Date

Patrick R. Sughroue
Public Arbitrator

Signature Date

William C. Kubicz
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

FINRA Dispute Resolution
Arbitration No. 07-00712
Award Page 5 of 5

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Jeffry M. Bauer - Public Arbitrator, Presiding Chair
Patrick R. Sughroue - Public Arbitrator
William C. Kubicz - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Jeffry M. Bauer
Public, Presiding Chair

Signature Date

Patrick R. Sughroue

Patrick R. Sughroue
Public Arbitrator

5-14-09

Signature Date

William C. Kubicz
Non-Public Arbitrator

Signature Date

Date of Service (For FINRA office use only)

FINRA Dispute Resolution
Arbitrator No. 07-00712
Award Page 5 of 5

All balances are payable to FINRA Dispute Resolution and are due upon receipt.

ARBITRATION PANEL

Jeffry M. Bauer – Public Arbitrator, Presiding Chair
Patrick R. Sughroue - Public Arbitrator
William C. Kubicz - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Jeffry M. Bauer
Public, Presiding Chair

Signature Date

Patrick R. Sughroue
Public Arbitrator

Signature Date

William C. Kubicz

William C. Kubicz
Non-Public Arbitrator

5/15/09

Signature Date

Date of Service (For FINRA office use only)