

**Award
FINRA Dispute Resolution**

In the Matter of the Arbitration Between:

Claimants

Douglas Beal
Marjorie Gillman
Mae Holloway
Joseph Lujan
Marylou Oliver
Barbara Padillia
Lori Palmquist
Linda Rapella

Case Number: 14-01816

vs.

Respondents

Royal Alliance Associates, Inc.
Richard A. McCollam
Kathleen J. Tarr
Brent C. Wolf

Hearing Site: San Francisco, California

Nature of the Dispute: Customers vs. Member and Associated Persons

This case was decided by a majority-public panel.

REPRESENTATION OF PARTIES

Claimants Douglas Beal, Marjorie Gillman, Mae Holloway, Joseph Lujan, Marylou Oliver, Barbara Padillia, Palmquist, and Linda Rapella, hereinafter collectively referred to as "Claimants": Frank F. Sommers, IV, Esq. and Andrew H. Schwartz, Esq., Sommers & Schwartz LLP, San Francisco, California

Respondent Royal Alliance Associates, Inc. ("Royal Alliance"): Theodore J. Sawicki, Esq., Alston & Bird LLP, Atlanta, Georgia

Respondents Richard A. McCollam ("McCollam") and Kathleen J. Tarr ("Tarr"): Paul W. Thomas, Esq., Thomas Law Group P.C., Carlsbad, California

Respondent Brent C. Wolf ("Wolf"): Scott L. Metzger, Esq., Duckor Spradling Metzger & Wynne, San Diego, California

CASE INFORMATION

Statement of Claim filed on or about: June 3, 2014
Amended Statement of Claim filed on or about: November 25, 2014
Claimants Joseph Lujan and Linda Rapella signed Submission Agreements: May 20, 2014
Claimant Douglas Beal signed the Submission Agreement: May 22, 2014
Claimant Mae Holloway signed the Submission Agreement: May 23, 2014
Claimants Marylou Oliver and Barbara Padillia signed Submission Agreements: November 14, 2014
Claimants Marjorie Gillman and Lori Palmquist signed Submission Agreements: November 18, 2014

Statement of Answer filed by Respondent Royal Alliance on or about: January 15, 2015
Statement of Answer filed by Respondent McCollam on or about: February 3, 2015
Statement of Answer filed by Respondent Tarr on or about: January 15, 2015
Statement of Answer filed by Respondent Wolf on or about: October 8, 2015
Respondents Royal Alliance, McCollam, Tarr, and Wolf did not sign Submission Agreements.

CASE SUMMARY

Claimants asserted the following causes of action in the Statement of Claim and Amended Statement of Claim: breach of fiduciary duty; false representations; fraud in the inducement; fraud; negligent misrepresentation; failure to supervise; and inappropriate securities and overconcentration. In Claimants' Amended Statement of Claim, Claimants added Marjorie Gillman, Marylou Oliver, Barbara Padillia, and Lori Palmquist as Claimants and Brent C. Wolf as a Respondent. The causes of action relate to Claimants' investments in the Polaris III annuity, Hartford Leaders annuity, Inland American Real Estate Investment Trust ("REIT"), Hartford Insurance variable rate annuity, John Hancock variable rate annuity, Dividend Capital Diversified Realty Trust, AIG Sun America Polaris annuity, Ohio National annuity, Inland Western REIT, among other unspecified investments.

Unless specifically admitted in their Answers, Respondents Royal Alliance, McCollam, Tarr, and Wolf each denied the allegations made in the Statement of Claim and Amended Statement of Claim and asserted various affirmative defenses.

RELIEF REQUESTED

In the Statement of Claim, Claimants requested:

1. For Claimant Douglas Beal compensatory damages in the amount of \$99,000.00 and punitive damages in the amount of \$99,000.00;
2. For Claimant Mae Holloway compensatory damages in the amount of \$142,000.00 and punitive damages in the amount of \$142,000.00;
3. For Claimant Joseph Lujan compensatory damages in the amount of \$116,000.00 and punitive damages in the amount of \$116,000.00;
4. For Claimant Linda Rapella compensatory damages in the amount of \$160,000.00 and punitive damages in the amount of \$160,000.00;

5. A return of principal invested in REITS, less any mitigation accomplished by Claimants;
6. Recovery of all reinvested REIT dividends;
7. In the alternative, recovery of a reasonable return on the amounts invested in the REITS, based on the return for an investment appropriate to Claimants;
8. Recovery of the principal from sums invested in annuities paid to Claimants on a monthly basis, on false representation that it was investment income, not a return of capital;
9. Payment of the promised monthly amount of investment income for each Claimant, less income actually received, for the entire period of each Claimant's retirement;
10. Recovery of the difference between the present value of the amount invested, as of the time of the hearing, and the amount invested, plus a reasonable return on the investment for the period of the investment;
11. Punitive damages; and
12. Attorneys' fees.

In the Amended Statement of Claim, Claimants requested:

1. For Claimant Douglas Beal compensatory damages in the amount of \$99,000.00 and punitive damages in the amount of \$99,000.00;
2. For Claimant Marjorie Gillman compensatory damages in the amount of \$165,000.00 and punitive damages in the amount of \$165,000.00;
3. For Claimant Mae Holloway compensatory damages in the amount of \$142,000.00 and punitive damages in the amount of \$142,000.00;
4. For Claimant Joseph Lujan compensatory damages in the amount of \$116,000.00 and punitive damages in the amount of \$116,000.00;
5. For Claimant Marylou Oliver compensatory damages in the amount of \$50,000.00 and punitive damages in the amount of \$50,000.00;
6. For Claimant Barbara Padillia compensatory damages in the amount of \$175,000.00 and punitive damages in the amount of \$175,000.00;
7. For Claimant Lori Palmquist compensatory damages in the amount of \$40,000.00 and punitive damages in the amount of \$40,000.00;
8. For Claimant Linda Rapella compensatory damages in the amount of \$160,000.00 and punitive damages in the amount of \$160,000.00;
9. A return of principal invested in REITS, less any mitigation accomplished by Claimants;
10. Recovery of all reinvested REIT dividends;
11. In the alternative, recovery of a reasonable return on the amounts invested in the REITS, based on the return for an investment appropriate to Claimants;
12. Recovery of the principal from sums invested in annuities paid to Claimants on a monthly basis, on false representation that it was investment income, not a return of capital;
13. Payment of the promised monthly amount of investment income for each Claimant, less income actually received, for the entire period of each Claimant's retirement;
14. Recovery of the difference between the present value of the amount invested, as of the time of the hearing, and the amount invested, plus a reasonable return on the investment for the period of the investment;
15. Punitive damages; and

16. Attorneys' fees.

In Respondent Royal Alliance's Answer, it requested:

1. Dismissal with prejudice of Claimants' claims and all causes of action in their entirety;
2. Forum fees be assessed against Claimants; and
3. Such other and further relief as the Panel deems just and proper.

In Respondent McCollam's Answer, he requested:

1. Dismissal with prejudice of Claimants' claims and all causes of action in their entirety;
2. Forum fees be assessed against Claimants;
3. A recommendation that all references to this matter be expunged from Respondent McCollam's FINRA Central Registration Depository ("CRD) records; and
4. Such other and further relief as the Panel deems just and proper.

In Respondent Tarr's Answer, she requested:

1. Dismissal with prejudice of Claimants' claims and all causes of action in their entirety;
2. Forum fees be assessed against Claimants;
3. A recommendation that all references to this matter be expunged from Respondent Tarr's FINRA CRD records; and
4. Such other and further relief as the Panel deems just and proper.

In Respondent Wolf's Answer, he requested dismissal of Claimants' claims and expungement of this matter from his CRD records.

At the close of the hearing, Claimants requested:

1. For Claimant Douglas Beal compensatory damages in the amount of \$394,500.00 and punitive damages in the amount of \$100,000.00;
2. For Claimant Marjorie Gillman compensatory damages in the amount of \$371,500.00 and punitive damages in the amount of \$100,000.00;
3. For Claimant Mae Holloway compensatory damages in the amount of \$300,250.00 and punitive damages in the amount of \$75,000.00;
4. For Claimant Joseph Lujan compensatory damages in the amount of \$229,250.00 and punitive damages in the amount of \$50,000.00;
5. For Claimant Marylou Oliver compensatory damages in the amount of \$26,000.00 and punitive damages in the amount of \$5,000.00;
6. For Claimant Barbara Padillia compensatory damages in the amount of \$290,750.00 and punitive damages in the amount of \$75,000.00;
7. For Claimant Lori Palmquist compensatory damages in the amount of \$189,800.00 and punitive damages in the amount of \$50,000.00; and
8. For Claimant Linda Rapella compensatory damages in the amount of \$502,750.00 and punitive damages in the amount of \$125,000.00.

OTHER ISSUES CONSIDERED AND DECIDED

The Arbitrators acknowledge that they have each read the pleadings and other materials filed by the parties.

Respondents Royal Alliance, McCollam, and Tarr did not file with the FINRA Office of Dispute Resolution properly executed Submission Agreements, but are required to submit to arbitration pursuant to the Code of Arbitration Procedure ("Code"), and having answered the claims, appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

Respondent Wolf did not file with the FINRA Office of Dispute Resolution a properly executed Submission Agreement, but is required to submit to arbitration pursuant to the Code, and is bound by the determination of the Panel on all issues submitted.

On November 25, 2014, Claimants filed an Amended Statement of Claim before the Panel's appointment to the case. Therefore, in accordance with FINRA Rule 12309(a), the FINRA Office of Dispute Resolution accepted Claimants' Amended Statement of Claim.

By notice dated August 27, 2015, Claimants' counsel dismissed with prejudice Respondent Brent C. Wolf. The Panel conducted recorded pre-hearing conferences on Respondent Brent C. Wolf's request for expungement on November 20, 2015 and December 2, 2015. On January 13, 2016, the Panel granted Respondent Brent C. Wolf's request to sever his request for expungement from this case to a new arbitration case (FINRA arbitration case no. 16-00121). Therefore, neither Claimants' claims against Respondent Brent C. Wolf, nor Respondent Brent C. Wolf's request for expungement were decided in this case.

On May 17, 2016, Respondent Royal Alliance filed a Motion to Dismiss. On June 20, 2016, by order of the Panel, Claimants filed their response opposing the motion. On June 21, 2016, the Panel advised the parties that the motion was denied because neither FINRA Rule 12206 nor the applicable statute of limitations applies to a continuing wrong by Respondent Royal Alliance.

By email dated May 31, 2016, Claimants dismissed Respondents McCollam and Tarr without prejudice. By email dated May 31, 2016, Respondents McCollam and Tarr agreed to be dismissed without prejudice. In accordance with FINRA Rule 12702(b), Respondents McCollam and Tarr were dismissed without prejudice.

On June 27, 2016, Respondents McCollam and Tarr submitted a Motion for Expungement. On July 6, 2016, Claimants submitted a response opposing Respondents McCollam and Tarr's motion. On July 11, 2016, Respondents McCollam and Tarr submitted a reply in further support of their motion. The Panel held a recorded telephonic hearing on September 12, 2016 so the parties could present oral argument and evidence on Respondents McCollam and Tarr's requests for expungement. Claimants' counsel attended the pre-hearing conference and opposed the expungement requests.

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 evidence presented at the hearing, and the post-hearing submissions, the Panel has decided in full and final resolution of the issues submitted for determination as follows:

1. Respondent Royal Alliance is liable for and shall pay to Claimant Douglas Beal compensatory damages in the amount of \$113,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$113,000.00 is paid in full.
2. Respondent Royal Alliance is liable for and shall pay to Claimant Marjorie Gillman compensatory damages in the amount of \$92,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$92,000.00 is paid in full.
3. Respondent Royal Alliance is liable for and shall pay to Claimant Mae Holloway compensatory damages in the amount of \$151,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$151,000.00 is paid in full.
4. Respondent Royal Alliance is liable for and shall pay to Claimant Joseph Lujan compensatory damages in the amount of \$113,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$113,000.00 is paid in full.
5. Respondent Royal Alliance is liable for and shall pay to Claimant Marylou Oliver compensatory damages in the amount of \$30,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$30,000.00 is paid in full.
6. Respondent Royal Alliance is liable for and shall pay to Claimant Barbara Padilla compensatory damages in the amount of \$111,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$111,000.00 is paid in full.
7. Respondent Royal Alliance is liable for and shall pay to Claimant Lori Palmquist compensatory damages in the amount of \$199,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$199,000.00 is paid in full.
8. Respondent Royal Alliance is liable for and shall pay to Claimant Linda Rapella compensatory damages in the amount of \$296,000.00, plus interest at the rate of 10% per annum beginning thirty calendar days after service of the award until the award of \$296,000.00 is paid in full.

9. Claimants' request for attorneys' fees is denied.
10. Respondents Richard A. McCollam and Kathleen J. Tarr's requests for expungement are denied.
11. Any and all relief not specifically addressed herein, including punitive damages, is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

FINRA Office of Dispute Resolution assessed a filing fee* for each claim:

Initial Claim Filing Fee =\$ 1,800.00

**The filing fee is made up of a non-refundable and a refundable portion.*

Member Fees

Member fees are assessed to each member firm that is a party in these proceedings or to the member firm(s) that employed the associated person(s) at the time of the event(s) giving rise to the dispute. Accordingly, as a party, Royal Alliance Associates, Inc. is assessed the following:

Member Surcharge	=\$ 2,800.00
Pre-Hearing Processing Fee	=\$ 750.00
Hearing Processing Fee	=\$ 5,000.00

Adjournment Fees

Adjournments granted during these proceedings:

November 9 – 13, 16 – 20, 2015, adjournment by parties	= WAIVED
February 1 – 5, 8 – 10, 15 – 16, 2016, adjournment by parties	=\$ 1,200.00
<u>August 24, 2016, adjournment by Respondents McCollam and Tarr</u>	<u>= WAIVED</u>
Total Adjournment Fees	=\$ 1,200.00

1. The Panel has assessed \$600.00 of the adjournment fees jointly and severally to Claimants.
2. The Panel has assessed \$600.00 of the adjournment fees jointly and severally to Respondents Royal Alliance, McCollam, and Tarr.

Last Minute Cancellation Fees

Fees apply when a hearing on the merits is postponed or settled within three business days before the start of a scheduled hearing session:

August 24, 2016, adjournment by Respondents McCollam and Tarr = WAIVED

Discovery-Related Motion Fees

Fees apply for each decision rendered on a discovery-related motion.

Five (5) Decisions on discovery-related motions on the papers
with (1) one arbitrator @ \$200.00 = \$ 1,000.00
Claimants submitted (2) discovery-related motions
Respondent Royal Alliance submitted (3) discovery-related motions

Total Discovery-Related Motion Fees = \$ 1,000.00

1. The Panel has assessed \$500.00 of the discovery-related motion fees jointly and severally to Claimants.
2. The Panel has assessed \$500.00 of the discovery-related motion fees to Respondent Royal Alliance.

Hearing Session Fees and Assessments

The Panel has assessed hearing session fees for each session conducted. A session is any meeting between the parties and the arbitrator(s), including a pre-hearing conference with the arbitrator(s), that lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) Pre-hearing session with a single arbitrator @ \$450.00/session = \$ 450.00
Pre-hearing conference: March 11, 2015 1 session

One (1) Pre-hearing session with the Panel @ \$1,200.00/session = \$ 1,200.00
Pre-hearing conference: February 2, 2015 1 session

Twenty- six (26) Hearing sessions @ \$1,200.00/session = \$31,200.00
Hearing Dates: June 6, 2016 2 sessions
June 7, 2016 2 sessions
June 8, 2016 2 sessions
June 9, 2016 2 sessions
June 13, 2016 2 sessions
June 14, 2016 2 sessions
June 15, 2016 2 sessions
June 16, 2016 2 sessions
June 17, 2016 2 sessions
June 20, 2016 2 sessions
June 21, 2016 2 sessions
June 22, 2016 2 sessions
June 23, 2016 2 sessions

Three (3) Hearing sessions on expungement requests @ \$1,200.00/session = \$ 3,600.00
Hearing Dates: November 20, 2015 1 session
December 2, 2015 1 session
September 12, 2016 1 session

Total Hearing Session Fees = \$36,450.00

1. The Panel has assessed \$825.00 of the hearing session fees jointly and severally to Claimants.

2. The Panel has assessed \$825.00 of the hearing session fees jointly and severally to Respondents Royal Alliance, McCollam, and Tarr.
3. The Panel has assessed \$31,200.00 of the hearing session fees to Respondent Royal Alliance.
4. The Panel has assessed \$1,200.00 of the hearing session fees jointly and severally to Respondents McCollam and Tarr.
5. The Panel has assessed \$2,400.00 of the hearing session fees to Respondent Wolf.

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

ARBITRATION PANEL

Isidoro Berkman	-	Public Arbitrator, Presiding Chairperson
Peter H. Daly	-	Public Arbitrator
Mario Singleton	-	Non-Public Arbitrator

I, the undersigned Arbitrator, do hereby affirm that I am the individual described herein and who executed this instrument which is my award.

Concurring Arbitrators' Signatures



Isidoro Berkman
Public Arbitrator, Presiding Chairperson

10-3-16

Signature Date

Peter H. Daly
Public Arbitrator

Signature Date

Mario Singleton
Non-Public Arbitrator

Signature Date

October 4, 2016

Date of Service (For FINRA Dispute Resolution office use only)

ARBITRATION PANEL

Isidoro Berkman	-	Public Arbitrator, Presiding Chairperson
Peter H. Daly	-	Public Arbitrator
Mario Singleton	-	Non-Public Arbitrator

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Public Arbitrator, Presiding Chairperson



Signature Date



Peter H. Daly
Public Arbitrator

Signature Date

Mario Singleton
Non-Public Arbitrator

Signature Date

October 4, 2016
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Peter H. Daly	-	Public Arbitrator
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Public Arbitrator, Presiding Chairperson

Signature Date

Peter H. Daly
Public Arbitrator

Signature Date



Mario Singleton
Non-Public Arbitrator



Signature Date

October 4, 2016
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