

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimant

Jay E. Hatch

and

Case Number: 01-04927
Hearing Site: Southfield, Michigan

Names of Respondents

H&R Block Financial Advisors, Inc.
and Clay Stroup

NATURE OF DISPUTE

Customer v. Member and Associated Person

REPRESENTATION OF PARTIES

Jay E. Hatch ("Claimant") was represented by David L. Nelson, Esq., and David Black, Esq., Sommers, Schwartz, Silver & Schwartz, Southfield, Michigan.

H&R Block Financial Advisors, Inc. ("HRBFA") and Clay Stroup ("Stroup"), hereinafter referred to as "Respondents," were represented by Howard M. Klausmeier, Esq., and Donald P. Wray, Jr., Esq., H&R Block Financial Advisors, Inc., Detroit, Michigan.

CASE INFORMATION

The Statement of Claim was filed on or about September 19, 2001. The Submission Agreement of Claimant, Jay E. Hatch, was signed on or about September 5, 2001.

The Statement of Answer was filed jointly by Respondents, HRBFA and Stroup, on or about November 14, 2001. The Submission Agreement of Respondent, H&R Block Financial Advisors, Inc., was signed on or about November 14, 2001, by David C. Andrew, as General Counsel. The Submission Agreement of Respondent, Clay Stroup, was signed on or about November 13, 2001.

Respondents submitted a Motion to Strike on or about December 3, 2001. Claimant filed a Response to the Motion on or about December 17, 2001.

Respondents filed a Motion to Preclude Admission of Settlement Agreements on or about October 24, 2002. Claimant filed a Response to the Motion on or about October 28, 2002.

Claimant submitted an Amendment to the Statement of Claim on or about November 14, 2002.

Claimant submitted an Amended Statement of Claim (Second) on or about March 17, 2003. Respondents filed a Response and Motion to Dismiss on or about March 28, 2003. Claimant filed a Response to the Motion to Dismiss on or about May 8, 2003.

Claimant filed a Motion to Introduce Hearing Exhibits into Evidence on or about May 24, 2004. Respondents filed a Response on or about May 27, 2004.

Claimant filed a Motion to Introduce Exhibit 122 on or about July 12, 2004. Respondents filed a Response on or about July 27, 2004.

Respondents filed a (Second) Motion to Strike on or about May 18, 2004. Claimant filed a Response to the Motion on or about May 21, 2004.

CASE SUMMARY

Claimant asserted claims and causes of action including the following: violation of federal securities laws, violation of state blue sky laws, negligence, breach of contract, churning, excessive and inappropriate use of margin, unauthorized trading, and breach of fiduciary duty. The causes of action related to Claimant's allegations that Respondents breached their duties by engaging in a course of unsuitable trading inconsistent with her means and objectives, failing to advise Claimant of the risks inherent in the trading strategy Respondent Stroup adopted, and by failing to keep Claimant's account diversified and that Respondent HRBFA failed to supervise Stroup in these regards. The securities (stocks, bonds, unit trusts, and mutual funds) involved included 3Com Corp, Adac Laboratories, Adobe Systems, Inc., American Eagle Outfitters, and American Software, Inc. Claimant further asserted that Stroup stole money from Claimant by forging checks and making unauthorized withdrawals from her accounts at HRBFA.

Unless specifically admitted in their Answer, Respondents denied the allegations made in the Statement of Claim and asserted affirmative defenses including the following: Claimant has failed to state a claim on which relief may be granted; Claimant's claims are barred by the statute of frauds; Claimant's claims are barred by laches, waiver, estoppel and ratification; Respondents' obligations to Claimant have been satisfied and discharged; the alleged wrongdoing of which Claimant complains was perpetrated, if at all, by an individual or entities other than HRBFA or its agents and therefore, HRBFA is not liable in any respect; Claimant assumed the risk of her investment transactions and the investment losses incurred; and economic industry, corporate and market conditions, and not Respondents were responsible for Claimant's losses, if any.

RELIEF REQUESTED

Claimant requested an award in the amount of approximately \$850,000.00, plus exemplary damages, costs, expert fees, interest, and attorneys' fees in her Amended Statement of Claim. In her post-hearing brief containing her prove-up, Claimant requested compensatory damages of approximately of \$1,619,773.00, plus punitive damages of \$1,500,000.00, and other monetary damages.

Respondents requested that the claims asserted against them be dismissed in their entirety.

OTHER ISSUES CONSIDERED & DECIDED

The panel ruled on Respondents' Motion to Strike on April-2, 2002, at the pre-hearing conference. The admission of Exhibits B and C to the Statement of Claim are subject to a ruling on admissibility and qualification of the expert who prepared the report at the hearing.

The panel granted Claimant's oral Request to Amend the Statement of Claim on the record at the hearing.

The panel granted Respondents' Motion to Preclude Admission of Settlement Agreements at the hearing on or about October 30, 2002.

The panel granted Claimant's oral Request to Amend the Statement of Claim (for the second time) at the hearing on or about March 3, 2003.

The parties advised the panel that Claimant's claims for unauthorized withdrawals were resolved between the parties at the hearing on or about March 3, 2003, for \$99,975.00, plus \$5,000.00 in interest.

On or about May 25, 2004, pursuant to Rule 10308 of the NASD Code of Arbitration Procedure, Arbitrator Brace K. Case, Esq. was reclassified from a non-public to a public arbitrator. The parties accepted the composition of the Panel.

The panel denied Respondents' (Second) Motion to Strike on or about June 4, 2004.

The panel granted Respondents' Motion to Introduce Hearing Exhibits on the record at the hearing.

The panel ruled at the hearing on June 7, 2004, that all prior and future court reporter transcripts would be the official record of the proceedings. Prior to the appearance of the court reporter, the official record is the cassette recordings.

At the hearing on or about June 9, 2004, the panel denied Respondents' Motion to Dismiss Claimant's Second Amended Statement of Claim.

At the close of Claimant's case-in-chief, Respondents moved for a directed verdict. The panel deferred ruling until the close of all of the evidence. The panel rules herein that Respondents' motion is denied.

The parties filed post-hearing submissions on or about September 10, 2004.

The panel granted Claimant's Motion to Admit Exhibit 122 on the record at the hearing on September 20, 2004.

All oral and written motions presented by the parties, noted and not noted herein, which the panel did not previously rule on, are hereby denied.

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 original(s) remain on file with NASD Dispute Resolution ("NASD").

AWARD

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

- 1.) Respondents, H&R Block Financial Advisors, Inc., and Clay Stroup, are jointly and severally liable for and shall pay to Claimant, Jay E. Hatch, the sum of \$422,000.00 in compensatory damages;
- 2.) Respondents, H&R Block Financial Advisors, Inc., and Clay Stroup, are jointly and severally liable for and shall pay to Claimant, Jay E. Hatch, the sum of \$85,937.49 in costs;
- 3.) Any relief not specifically enumerated, including punitive damages and attorneys' fees, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD Dispute Resolution will retain or collect the non-refundable filing fees for each claim:

Initial claim filing fee = \$ 375.00

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. In this matter, the member firm is H&R Block Financial Advisors, Inc.

Member surcharge = \$ 2,000.00
Pre-hearing process fee = \$ 600.00
Hearing process fee = \$ 3,500.00

Adjournment Fees

Adjournments requested during these proceedings:

August 18, 2003, adjournment by Claimant (waived by panel) = \$ 1,200.00
August 19-22, 2003, adjournment by Claimant = \$ 1,500.00

Forum Fees and Assessments

The Arbitration Panel assesses forum fees for each hearing session conducted. A hearing 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:

Five (5) Pre-hearing sessions with Panel x \$1,200.00 = \$6,000.00

Pre-hearing conferences: March 4, 2002 1 session
April 2, 2002 1 session
May 9, 2003 1 session
August 18, 2003 1 session
June 4, 2004 1 session

Thirty-eight (38) Hearing sessions x \$1,200.00 = \$45,600.00

Hearing Dates: October 29, 2002 2 sessions
October 30, 2002 2 sessions
October 31, 2002 2 sessions
November 1, 2002 2 sessions
March 3, 2003 2 sessions
March 4, 2003 2 sessions

March 5, 2003	2 sessions
March 6, 2003	2 sessions
March 7, 2003	2 sessions
May 28, 2003	2 sessions
May 29, 2003	2 sessions
May 30, 2003	2 sessions
June 7, 2004	2 sessions
June 8, 2004	2 sessions
June 9, 2004	3 sessions
June 10, 2004	3 sessions
June 11, 2003	3 sessions
September 20, 2004	1 session

Total Forum Fees = \$51,600.00

The Arbitration Panel has assessed \$1,200.00 of the forum fees to Jay E. Hatch.

The Arbitration Panel has assessed \$50,400.00 of the forum fees jointly and severally to H&R Block Financial Advisors, Inc. and Clay Stroup.

Fee Summary

Claimant, Jay E. Hatch, is liable for:

Initial Filing Fee	= \$ 375.00
Adjournment Fee	= \$ 1,500.00
Forum Fees	= \$ 1,200.00
Total Fees	= \$ 3,075.00
<u>Less payments</u>	<u>= \$ 1,575.00</u>
Balance Due NASD Dispute Resolution	= \$ 1,500.00

Respondent, H&R Block Financial Advisors, Inc., is liable for:

Member Fees	= \$ 6,100.00
Total Fees	= \$ 6,100.00
<u>Less payments</u>	<u>= \$ 6,100.00</u>
Balance Due NASD Dispute Resolution	= \$ 0.00

Respondents, H&R Block Financial Advisors, Inc. and Clay Stroup, are jointly and severally liable for:

Forum Fees	= \$ 50,400.00
Total Fees	= \$ 50,400.00
<u>Less payments</u>	<u>= \$ 0.00</u>
Balance Due NASD Dispute Resolution	= \$ 50,400.00

All balances are payable to NASD Dispute Resolution and are due upon receipt pursuant to Rule 10330(g) of the Code.

ARBITRATION PANEL

Jeffrey M. Bain, Esq. - Public Arbitrator, Presiding Chair
John F. Burns, Esq. - Public Arbitrator
Brace K. Case, Esq. - Public Arbitrator

Concurring Arbitrators:

/s/ Jeffrey M. Bain, Esq.
Jeffrey M. Bain, Esq.
Public Arbitrator, Presiding Chair

09/22/04
Signature Date

/s/ John F. Burns, Esq.
John F. Burns, Esq.
Public Arbitrator

09/22/04
Signature Date

/s/ Brace K. Case, Esq.
Brace K. Case, Esq.
Public Arbitrator

09/22/04
Signature Date

09/22/04
Date of Service (For NASD office use only)

For office use only

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John F. Burns, Esq. - Public Arbitrator
Brace K. Case, Esq. - Public Arbitrator

Concurring Arbitrators:

Jeffrey M. Bain, Esq.
Public Arbitrator, Presiding Chair

Signature Date

John F. Burns

John F. Burns, Esq.
Public Arbitrator

Sept 22 '09

Signature Date

Brace K. Case, Esq.
Public Arbitrator

Signature Date

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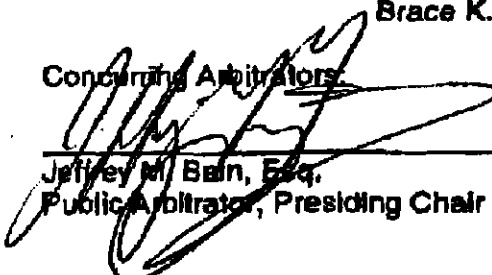
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John F. Burns, Esq. - Public Arbitrator

Brace K. Case, Esq. - Public Arbitrator

Concurring Arbitrators



Jeffrey M. Bain, Esq.
Public Arbitrator, Presiding Chair


Signature Date

John F. Burns, Esq.
Public Arbitrator

Signature Date

Brace K. Case, Esq.
Public Arbitrator

Signature Date

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OPTIONAL FORM NO. 10

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Brace K. Case, Esq. - Public Arbitrator

Concurring Arbitrators:

Jeffrey M. Bain, Esq.
Public Arbitrator, Presiding Chair

Signature Date

John F. Burns, Esq.
Public Arbitrator

Signature Date



9/28/04

Brace K. Case, Esq.
Public Arbitrator

Signature Date

Date of Service (For NASD office use only)