

**Award**  
**FINRA Dispute Resolution Services**

---

In the Matter of the Arbitration Between:

Claimants

Neil C. Krauter  
The Krauter Group, LLC

Case Number: 20-01659

vs.

Respondent

Morgan Stanley

Hearing Site: Boca Raton, Florida

---

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

Nature of the Dispute: Customers vs. Member

This case was decided by an all-public panel.

The evidentiary hearing was conducted by videoconference.

**REPRESENTATION OF PARTIES**

For Claimants Neil C. Krauter and The Krauter Group, LLC: Patrick Gaffney, Esq., The Law Office of Patrick Gaffney, New York, New York.

For Respondent Morgan Stanley: Joseph L. Calabrese, Esq., Bressler, Amery, Ross, P.C., New York, New York.

**CASE INFORMATION**

Statement of Claim filed on or about: May 27, 2020.

Neil C. Krauter signed the Submission Agreement: May 28, 2020.

The Krauter Group, LLC signed the Submission Agreement: May 28, 2020.

Statement of Answer filed by Respondent on or about: August 3, 2020.

Morgan Stanley signed the Submission Agreement: August 3, 2020.

**CASE SUMMARY**

In the Statement of Claim, Claimants asserted the following causes of action: breach of fiduciary duty; negligence; suitability; failure to supervise; negligent supervision; and respondeat superior. The causes of action relate to Claimants' investments in two Class A share municipal bond

funds, Nuveen All-American Muni BD A fund and the Lord Abbett High Yield Municipal Bond A Fund.

Unless specifically admitted in the Statement of Answer, Respondent denied the allegations made in the Statement of Claim and asserted various affirmative defenses.

### **RELIEF REQUESTED**

In the Statement of Claim, Claimants requested: compensatory damages in excess of \$1,530,000.00; pre and post-judgment interest at the prevailing legal rate; and costs and expenses incurred in connection with this arbitration, including filing, forum and expert fees.

In the Statement of Answer, Respondent requested: dismissal of the Statement of Claim in its entirety; a finding that the claim is false so that the Central Registration Depository ("CRD") record of this claim may be expunged for Unnamed Party Meghan Rehill ("Rehill"); costs; and such other and further relief as the Panel deems just and proper.

At the hearing, Claimants requested damages in the range of \$1,013,896.06 to \$1,231,260.19.

At the hearing, Respondent requested that the Panel award no damages to Claimants. However, if the Panel is inclined to find for Claimants, Respondent requested Claimants be awarded no more than \$581,685.00 after offsetting the income received from both the Lord Abbett and Nuveen investments.

### **OTHER ISSUES CONSIDERED AND DECIDED**

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

The Panel reviewed Unnamed Party Rehill's BrokerCheck® Report. The Panel noted that a prior arbitration panel or court has not previously ruled on expungement of the same occurrence in the CRD.

In recommending expungement, the Panel relied upon the following documentary or other evidence: Claimants' Exhibits C-6 and C-19, and Claimant Neil C. Krauter's and Unnamed Party Rehill's respective testimony.

The Award in this matter may be executed in counterpart copies.

### **AWARD**

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

1. Claimants' claims are denied in their entirety.
2. The Panel recommends the expungement of all references to the above-captioned arbitration (Occurrence Number 2077179) from registration records maintained by the CRD

for unnamed party Megan Rehill (CRD Number 5872640) with the understanding that, pursuant to Notice to Members 04-16, Unnamed Party Megan Rehill must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

Unless specifically waived in writing by FINRA, parties seeking judicial confirmation of an arbitration award containing expungement relief must name FINRA as an additional party and serve FINRA with all appropriate documents.

Pursuant to Rule 12805 of the Code of Arbitration Procedure (“Code”), the Panel has made the following Rule 2080 affirmative finding of fact:

The claim, allegation, or information is false.

The Panel has made the above Rule 2080 finding based on the following reasons:

The main issue raised by Claimants with regard to this expungement was that Unnamed Party Rehill presented unsuitable investments to Claimants and failed to explain the risks and illiquidity of the investments that are the subject of this arbitration. The Panel finds that the totality of the evidence presented and, in particular, Claimants’ Exhibit C-6, shows that Unnamed Party Rehill explained the investments and presented a suitable investment strategy to Claimants who then selected the investments of their choice. Claimants’ Exhibit C-6 also demonstrates that Unnamed Party Rehill answered Claimants’ questions about the investments prior to their making their investment selections. Based upon the evidence presented through testimony and exhibits, the Panel concludes that expungement of Unnamed Party Rehill’s CRD record should be granted because the Panel finds no wrongdoing since the claims are false.

3. Any and all claims for relief not specifically addressed herein are denied.

### **FEES**

Pursuant to the Code of Arbitration Procedure (“Code”), the following fees are assessed:

#### **Filing Fees**

FINRA Dispute Resolution Services assessed a filing fee\* for each claim:

Initial Claim Filing Fee = \$ 2,000.00

*\*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, Respondent is assessed the following:

Member Surcharge = \$ 3,025.00  
Member Process Fee = \$ 6,175.00

**Discovery-Related Motion Fees**

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

One (1) decision on a discovery-related motion on the papers with one (1) Arbitrator @ \$200.00/decision = \$ 200.00

Respondent submitted one (1) discovery-related motion

---

Total Discovery-Related Motion Fees = \$ 200.00

The Panel has assessed \$100.00 of the discovery-related motion fees jointly and severally to Claimants.

The Panel has assessed \$100.00 of the total discovery-related motion fees to Respondent.

**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), which lasts four (4) hours or less. Fees associated with these proceedings are:

One (1) pre-hearing session with the Panel @ \$1,400.00/session = \$ 1,400.00  
Pre-Hearing Conference: September 22, 2020 1 session

Four (4) hearing sessions @ \$1,400.00/session = \$ 5,600.00  
Hearings: October 5, 2021 2 sessions  
October 6, 2021 2 sessions

---

Total Hearing Session Fees = \$ 7,000.00

The Panel has assessed \$3,500.00 of the hearing session fees jointly and severally to Claimants.

The Panel has assessed \$3,500.00 session fees Respondent.

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

**ARBITRATION PANEL**

Kimberlee Ann Fowler	-	Public Arbitrator, Presiding Chairperson
Lawrence S. Silver	-	Public Arbitrator
Steven E. Eisenberg	-	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**

***Kimberlee Ann Fowler***

\_\_\_\_\_  
Kimberlee Ann Fowler  
Public Arbitrator, Presiding Chairperson

**10/15/2021**

\_\_\_\_\_  
Signature Date

***Lawrence S. Silver***

\_\_\_\_\_  
Lawrence S. Silver  
Public Arbitrator

**10/14/2021**

\_\_\_\_\_  
Signature Date

***Steven E. Eisenberg***

\_\_\_\_\_  
Steven E. Eisenberg  
Public Arbitrator

**10/14/2021**

\_\_\_\_\_  
Signature Date

Awards are rendered by independent arbitrators who are chosen by the parties to issue final, binding decisions. FINRA makes available an arbitration forum—pursuant to rules approved by the SEC—but has no part in deciding the award.

October 15, 2021

\_\_\_\_\_  
Date of Service (For FINRA Dispute Resolution Services use only)