

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimants

Case Number: 00-05148

Jon C. Gambold, Individually and as Trustee of
The Gambold Family Trust, Trust A, M, & B and
As Heir to the Estate of Robert Gambold;
Marjorie Gambold, Individually and as Trustee of
The Gambold Family Trust, Trust A, M, & B and
As Heir to the Estate of Robert Gambold; and
Lella Newton, Individually and As
Heir to the Estate of Robert Gambold

Name of the Respondents

Hearing Site: Dallas, Texas

Dillon - Gage Securities Inc. and
Kent C. Morgan, Sr.

REPRESENTATION OF PARTIES

Claimants, Jon C. Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; Marjorie Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; and Lella Newton, Individually and As Heir to the Estate of Robert Gambold, hereinafter collectively referred to as "Claimants": Lynn A. Grisham, Esq., of the firm of Waltman & Grisham, located in College Station, Texas.

Respondents, Dillon-Gage Securities Inc. ("Dillon-Gage") and Kent C. Morgan, Sr. ("Morgan"), hereinafter collectively referred to as "Respondents": Tim K. Kirk, Esq. of the firm of Miller, Mentzer, MacDonald & Shaw, located in Dallas, Texas.

CASE INFORMATION

Statement of Claim filed: November 20, 2000.

Claimant Jon C. Gambold signed the Uniform Submission Agreement: September 25, 2000.

Claimant Marjorie Gambold signed the Uniform Submission Agreement: September 25, 2000.

Claimant Lella Newton signed the Uniform Submission Agreement: September 30, 2000.

Statement of Answer filed by Respondents on or about: February 1, 2001.

Respondent Dillon-Gage signed the Uniform Submission Agreement: January 31, 2001 by
Stephen Miller, President.

Respondent Morgan signed the Uniform Submission Agreement: January 30, 2001.

CASE SUMMARY

Claimants asserted the following causes of action: negligence; statutory fraud; common law fraud; breach of contract; violation of the Texas Deceptive Trade Practice and Consumer Protection Act; and breach of fiduciary duty. Claimants asserted additional causes of action against Respondent Dillon-Gage under respondent superior and for negligence in supervising Morgan. The causes of action resulted from transactions in numerous securities, including stocks, limited partnerships, and margin trading.

Unless specifically admitted in its Answer, Respondents denied the allegations made in the Statement of Claim and asserted the following defenses:

1. Claimants' claims fails to state a claim upon which relief can be granted against these Respondents;
2. The Claimants are barred by the doctrine of assumed risk in allowing a third party, their agent, to have complete discretionary trading authority in their accounts. In this regard Claimants indemnified the Respondents against losses resulting from their agents' trades in their accounts;
3. At all times, Respondents acted in good faith in connection with the Claimant's account;
4. Claimants never timely objected to any trades in their account and therefore, completely ratified each trade in their accounts and are barred from complaining of the trades;
5. As a result of Claimants' failure to object or notify the Respondents of the acts and omissions of which they now complain, their claims are barred by the doctrines of ratification, waiver, estoppel and laches;
6. Claimants were fully aware of the risks associated with investing and the consequences of trading speculative securities and they voluntarily accepted the risks with full knowledge of the potential consequences, therefore, their claims are barred by the doctrine of associative risk;
7. Claimants' claims are barred due to their failure to mitigate their damages;
8. The Claimants are further barred by the two and four year statutes of limitations as set forth in §16.003 and 16.004 of the Texas Civil Practices and Remedies Code. They are also barred by the six year rule of the NASD; and
9. The claims are barred by the doctrine of estoppel in that they represented they had extensive trading experiences and were sophisticated investors.

RELIEF REQUESTED

Claimants requested:

Compensatory Damages	\$ 3,000,000.00.
Punitive Damages	Unspecified.
Interest	Pre- and post-judgment as provided by law.
Attorneys' Fees	As allowed by law.

Other Costs

Unspecified

Plus other Monetary/Non-Monetary Relief, if any, to which the Claimants show themselves entitled.

Respondents requested that the panel enter an award that Claimants recover nothing from these Respondents, that all forum fees and other costs be awarded against Claimants, that Respondents recover an award of their reasonable attorneys' fees and costs of hearing and that the Panel order that the CRD's of the Respondents be expunged of this matter.

OTHER ISSUES CONSIDERED AND DECIDED

Immediately prior to hearing, Respondent Dillon-Gage filed a Suggestion of Death of Kent Morgan, notifying the panel that Respondent Morgan died during 2002, and that no administrator, executor or heir had been joined as a party to this action. Based upon this filing, the panel took no action in regard to the claims against Respondent Kent C. Morgan, Sr. and the claims asserted against him are dismissed without prejudice.

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 Dillon-Gage Securities Inc. is liable for and shall pay to the Claimants, Jon C. Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; Marjorie Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; and Lella Newton, Individually and As Heir to the Estate of Robert Gambold, the sum of \$100,000.00 as compensatory damages, plus interest at the rate of 6% per annum accruing from the date of service of this award until the award is paid in full;
2. Furthermore, Respondent Dillon-Gage Securities Inc. is liable for and shall pay to the Claimants, Jon C. Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; Marjorie Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; and Lella Newton, Individually and As Heir to the Estate of Robert Gambold, the sum of \$500.00 as reimbursement of the non-refundable claim filing fee paid by the Claimants;
3. The parties shall bear their own costs of arbitration, including any additional attorneys' fees, except for those sums specifically awarded herein; and,
4. Any and all relief not specifically addressed herein, including punitive and exemplary damages, is denied.

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 = \$ 600.00

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. Accordingly, Dillon-Gage Securities Inc. is a party and the following member fees are assessed:

Member surcharge	= \$ 2,500.00
Pre-hearing process fee	= \$ 600.00
<u>Hearing process fee</u>	<u>= \$ 4,500.00</u>
Total Member Fees	= \$ 7,600.00

Adjournment Fees

Adjournments granted during these proceedings for which fees were assessed: None.

Forum Fees and Assessments

The Panel has assessed forum 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:

Two (2) Pre-hearing sessions with Panel @ \$1,200.00	= \$ 2,400.00
Pre-hearing conferences: May 21, 2001 1 session	
June 6, 2002 1 session	
Three (3) Hearing sessions @ \$1,200.00	= \$ 3,600.00
<u>Hearing Date: January 14, 2003 3 sessions</u>	<u>= \$ 6,000.00</u>
Total Forum Fees	= \$ 6,000.00

The Panel has assessed \$6,000.00 of the forum fees to Respondent Dillon-Gage Securities Inc.

EEE SUMMARY

Claimants Jon C. Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; Marjorie Gambold, Individually and as Trustee of The Gambold Family Trust, Trust A, M, & B and As Heir to the Estate of Robert Gambold; and Lella Newton, Individually and As Heir to the Estate of Robert Gambold are jointly and severally liable for:

Initial Filing Fee	= \$ 600.00
<u>Less payments</u>	<u>= \$ 1,800.00</u>
Refund Due from NASD Dispute Resolution	= \$ 1,200.00

Respondent Dillon-Gage Securities Inc. is solely liable for:

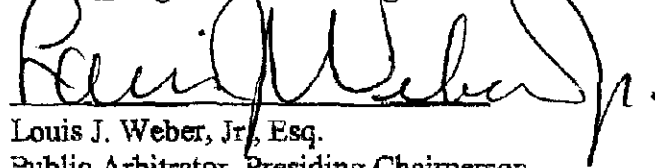
Member Fees	= \$ 7,600.00
Forum Fees	= \$ 6,000.00
Total Fees	= \$13,600.00
Less payments	= \$ 7,600.00
Balance Due NASD Dispute Resolution	= \$ 6,000.00

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

ARBITRATION PANEL

Louis J. Weber, Jr., Esq. - Public Arbitrator, Presiding Chairperson
Harry J Saginaw, JD - Public Arbitrator
R. Theodore Mook, Jr. - Non-Public Arbitrator

Concurring Arbitrators' Signatures


Louis J. Weber, Jr., Esq.
Public Arbitrator, Presiding Chairperson

2/14/03
Signature Date

Harry J Saginaw, JD
Public Arbitrator

Signature Date

R. Theodore Mook, Jr.
Non-Public Arbitrator

Signature Date

3/5/03 
Date of Service (For NASD-DR office use only)

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Forum Fees	= \$ 6,000.00
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Public Arbitrator, Presiding Chairperson

Signature Date

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Public Arbitrator

Signature Date

R. Theodore Moock, Jr.
Non-Public Arbitrator

Signature Date

3/5/03 *N/m*

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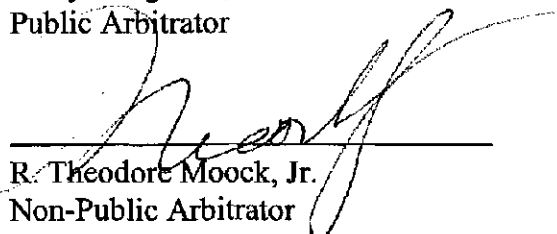
Concurring Arbitrators' Signatures

Louis J. Weber, Jr., Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Harry J Saginaw, JD
Public Arbitrator

Signature Date



R. Theodore Moock, Jr.
Non-Public Arbitrator

2/28/03
Signature Date

3/5/03 msn
Date of Service (For NASD-DR office use only)