

Award
NASD Dispute Resolution, Inc.

In the Matter of the Arbitration Between:

Wells Fargo Securities, Inc., a subsidiary of Wells Fargo Bank, N.A., Claimant v. Sutro & Co., Inc. and Paul J. Laughton, Respondents

Case Number: 01-00549

Hearing Site: San Francisco, California

REPRESENTATION OF PARTIES

For Claimant:

Steven H. Winick, Esq.
Sheppard, Mullin, Richter &
Hampton LLP
San Francisco, California

For Respondents:

Stephen M. Williams, Esq.
Fitzgerald, Abbott & Beardsley LLP
Oakland, California

CASE INFORMATION

Statement of Claim for Damages and Injunctive Relief filed by Wells Fargo Securities, Inc. ("WFS"), on or about: February 1, 2001

Claimant WFS' Uniform Submission Agreement signed: February 1, 2001

WFS' Application for an Immediate Injunctive Order or, in the alternative, for an Order Granting Leave to Conduct Expedited Discovery filed on or about: February 1, 2001

Memorandum of Points and Authorities in Support of WFS' Application for (1) An Immediate Interim Injunctive Order, and (2) An Order Granting Leave to Conduct Expedited Discovery filed on or about: February 1, 2001

Appendix of Authorities in Support of Application for Immediate Injunctive Order filed on or about: February 1, 2001

Declaration of Ken W. Cordle in Support of WFS' Application for (1) An Immediate Injunctive Order, and (2) An Order Granting Leave to Conduct Expedited Discovery filed on or about: February 1, 2001

Supplemental Declaration of Ken W. Cordle in Support of WFS' Application for An Immediate Injunctive Order filed on or about: February 5, 2001

Declaration of William S. Bopp in Support of WFS' Application for An Immediate Injunctive Order filed on or about: February 5, 2001

Declaration of Susan Siemens in Support of WFS' Application for An Immediate Injunctive Order filed on or about: February 5, 2001

Proposed Order Granting WFS' Application for An Immediate Injunctive Order filed on or about: February 1, 2001

WFS' Arbitration Brief filed on or about: January 23, 2002

Memorandum of Points and Authorities in Opposition to Immediate Injunctive Order filed on or about: February 5, 2001

Declaration of Stephen M. Williams in Support of Respondents' Opposition to Immediate Injunctive Order filed on or about: February 5, 2001

Declaration of Paul J. Laughton ("Laughton") in Opposition to Immediate Injunctive Order filed on or about: February 5, 2001

Statement of Answer of Sutro & Co., Inc. ("Sutro") and Laughton filed on or about: March 28, 2001

Arbitration Brief filed by Respondents Sutro and Laughton on or about: January 25, 2002

Order Granting in Part Claimant's Request for Expedited Injunctive Relief filed on or about: February 6, 2001

CASE SUMMARY

Claimant WFS alleged the following claims with respect to Respondent Laughton's former employment with WFS: 1) Misappropriation of Trade Secrets; 2) Breach of Contract; 3) Unfair Competition in Violation of California Business and Professions Code Sections 17200 et seq.; 4) Breach of Fiduciary Duty; and 5) Interference with Prospective Economic Advantage.

Respondents denied Claimant's allegations of wrongdoing and denied any liability to Claimant. Respondents also asserted affirmative defenses.

RELIEF REQUESTED

Claimant WFS requested:

1. For the entry of a permanent injunction against Respondents Laughton and Sutro, and all persons acting in concert with them,
 - (a) enjoining Respondents from soliciting, directly or indirectly, any customer, or prospective customer, that became known to Laughton during his employment with WFS;
 - (b) enjoining Respondents from accepting business or account transfers from any customer who was solicited by Respondents;
 - (c) enjoining Respondents from using, disclosing, or transmitting for any purpose any customer or prospective customer information that became known to Laughton during his employment with WFS, including customer names, addresses, and financial information; and
 - (d) enjoining Respondents from destroying or altering any information, data, records, and documents related to the facts at issue in this case.
2. For compensatory damages in an amount to be proven at trial;
3. For punitive damages;
4. For attorneys' fees and costs of suit; and
5. For such other and further relief as the Panel may deem just and proper.

Respondents requested:

1. All claims for monetary damages by WFS be dismissed in their entirety;
2. A declaration that neither Laughton nor Sutro have any liability to WFS in connection with this action;
3. Recovery of all attorneys' fees and costs which Respondents have been forced to expend in this matter; and
4. Any and all just and equitable relief which the Panel deems fit to award.

OTHER ISSUES CONSIDERED AND DECIDED

Respondents Laughton and Sutro did not file with NASD Dispute Resolution, Inc. ("NASD-DR") properly executed submissions to arbitration but are required to submit to arbitration pursuant to the NASD-DR Code of Arbitration Procedure ("the Code") and, having answered Claimant's Claim, appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

The Panel determined that the parties shall split the \$1,000.00 adjournment fee assessed in connection with the adjourned hearing dates of June 25-27, 2001 and determined that the parties shall split the \$1,000.00 adjournment fee assessed in connection with the adjourned hearing dates of November 28-30, 2001.

The parties 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, testimony, and evidence presented at the hearing, the Panel decided in full and final resolution of the issues submitted for determination as follows:

1. The TRO (Temporary Restraining Order) against Laughton to solicit clients of WFS is hereby dissolved.
2. The Claimant, WFS, is not entitled to any compensatory damages as no evidence was presented as to solicitation of clients of WFS by Respondent, Laughton.
3. Claimant's request for punitive damages is denied.
4. Each party shall bear its own costs, including attorney's fees.
5. All other relief not expressly granted is denied.

FEES

Pursuant to the Code, the following fees are assessed:

Filing Fees

NASD-DR received or will collect the non-refundable filing fees for each claim as follows:

Initial claim filing fee	= \$500.00
Injunctive surcharge	= \$2,500.00

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) that gave rise to the dispute, claim or controversy. In this matter, the member firms, WFS and Sutro, are parties and the following fees are assessed:

Member Surcharge	= \$1,200.00
Pre-Hearing Process Fee	= \$600.00
<u>Hearing Process Fee</u>	= \$2,000.00
Total Member Fees	= \$3,800.00

Forum Fees and Assessments

The Panel assessed a forum fee for each pre-hearing conference or hearing session conducted. A pre-hearing conference and hearing session is any meeting between the parties and the Chair/Panel. The following fees are assessed:

(2) Injunctive hearing sessions with a single arbitrator @ \$450.00/session	= \$900.00
Injunctive hearing: February 6, 2001	2 sessions
(4) Pre-hearing sessions with a single arbitrator @ \$450.00/session	= \$1,800.00
Pre-hearing conferences: June 18, 2001	1 session
September 7, 2001	1 session
November 5, 2001	1 session
November 12, 2001	1 session
(1) Pre-hearing conference session with the Panel @ \$1,000.00/session	= \$1,000.00
Pre-hearing conference: March 19, 2001	1 session
(4) Hearing sessions @ \$1,000.00/session	= \$4,000.00
Hearings: January 28, 2002	2 sessions
January 29, 2002	2 sessions
Total Forum Fees	= \$7,700.00

1. The Panel assessed \$3,850.00 of the forum fees to Claimant, WFS.
2. The Panel assessed \$3,850.00 of the forum fees jointly and severally to Respondents, Laughton and Sutro.

Administrative Costs

Administrative costs are expenses incurred because a party requested additional services beyond the normal administrative services. These additional services include, but are not limited to, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, security, and other requests.

The parties did not incur administrative costs.

Fee Summary

1. Claimant, WFS, is charged with the following fees and costs:

Initial Filing Fee	= \$ 500.00
Injunctive Surcharge	= \$ 2,500.00
Member Fees	= \$ 3,800.00
Adjournment Fees	= \$ 1,000.00
Forum Fees	= \$ 3,850.00
<u>Administrative Costs</u>	= \$ 0.00
Total Fees	= \$11,650.00
<u>Less Payments</u>	= \$(8,800.00)
Balance Due NASD-DR	= \$ 2,850.00

2. Respondent, Sutro, is charged with the following fees and costs:

Member Fees	= \$ 3,800.00
<u>Administrative Costs</u>	= \$ 0.00
Total Fees	= \$ 3,800.00
<u>Less Payments</u>	= \$(3,800.00)
Balance Due NASD-DR	= \$ 0.00

3. Respondents, Laughton and Sutro, are charged jointly and severally with the following fees and costs:

Adjournment Fees	= \$ 1,000.00
Forum Fees	= \$ 3,850.00
<u>Administrative Costs</u>	= \$ 0.00
Total Fees	= \$ 4,850.00
<u>Less Payments</u>	= \$(1,400.00)
Balance Due NASD-DR	= \$ 3,450.00

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

ARBITRATION PANEL

Thomas C. McNally III, Esq.	-	Public Arbitrator, Presiding Chair
E. Carol Cohen	-	Public Arbitrator
Frank Weaver, Esq.	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures


Thomas C. McNally III, Esq.

Chair, Public Arbitrator

2-13-02
Signature Date

E. Carol Cohen -
Public Arbitrator

Signature Date

Frank Weaver, Esq.
Non-Public Arbitrator

Signature Date

Date Served:

FEB 19 2002

Date of Service

ARBITRATION PANEL

Thomas C. McNally III, Esq.	-	Public Arbitrator, Presiding Chair
E. Carol Cohen	-	Public Arbitrator
Frank Weaver, Esq.	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Thomas C. McNally III, Esq.
Chair, Public Arbitrator

Signature Date

E. CAROL COHEN
E. Carol Cohen -
Public Arbitrator

Carol Cohen
Signature Date

Frank Weaver, Esq.
Non-Public Arbitrator

Signature Date

Date Served:

FEB 1 9 2002

Date of Service