

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between

Name of Claimant

Donald M. Knudsen

and

01-01377
Denver, Colorado

Name of Respondents

Russo Securities, Inc.
Ferdinand Russo
Richard A. Russo
William G. Brown
Joseph A. Colangelo

REPRESENTATION OF PARTIES

Donald M. Knudsen ("**Claimant**") was represented by Otto K. Hilbert, II, Esq., of Robinson, Waters & O'Dorisio, Denver, Colorado.

Russo Securities, Inc. ("**Russo Securities**"), Ferdinand Russo ("**Ferdinand Russo**") and Richard A. Russo ("**Richard Russo**") were represented by Marc S. Gottlieb, Esq., of the Law Offices of Marc S. Gottlieb, New York, New York.

William G. Brown ("**Brown**") appeared pro se.

Daniel Lipis ("**Lipis**") did not appear.

Joseph A. Colangelo ("**Colangelo**") did not appear at the hearing.

CASE INFORMATION

The Statement of Claim was filed on or about March 16, 2001. The Submission Agreement of Claimant Donald M. Knudsen was signed on March 9, 2001.

A Statement of Answer, Motion to Dismiss, and Counter Claim was filed by Respondent Russo Securities, Inc. on or about April 23, 2001. The Submission Agreement of Respondent Russo Securities, Inc. was signed on or about May 7, 2001.

A Joint Statement of Answer was filed by Respondents Ferdinand Russo and Richard A. Russo on or about May 15, 2002. Respondents Ferdinand Russo and Richard Russo did not file a Uniform Submission Agreement.

A Statement of Answer was filed by Respondent William G. Brown on or about September 6, 2001. The Submission Agreement of Respondent William G. Brown was signed on or about August 28, 2001.

Respondent Daniel Lipis did not file either a Statement of Answer or Uniform Submission Agreement in this case.

A Statement of Answer was filed by Respondent Joseph A. Colangelo on or about August 29, 2001. Respondent Joseph A. Colangelo did not file Uniform Submission Agreement.

Claimant filed a Motion to Amend Statement of Claim on or about January 30, 2002.

Respondent Russo Securities filed an Objection to Amend the Statement of Claim on or about February 9, 2002.

Respondent Joseph Colangelo filed a Motion to Dismiss on or about March 30, 2001.

Respondents Ferdinand Russo, Richard A. Russo and Russo Securities filed a Motion to Dismiss and Motion to Postpone on or about May 7, 2002.

Claimant filed a Motion for Default against Respondents Lipis, Ferdinand Russo, Richard Russo, and Russo Securities on or about May 14, 2002.

Respondents Ferdinand Russo, Richard A. Russo and Russo Securities filed a Response to the Motion for Default on or about May 17, 2002.

CASE SUMMARY

Claimant asserted the following causes of action: suitability, breach of fiduciary duty, securities fraud, common law fraud, breach of contract, negligence, gross negligence and respondeat superior. The causes of action relate to the recommendation of the purchase of stocks including, WDGI and Laser World.

Respondent Russo Securities, Ferdinand Russo and Richard A. Russo denied the allegations made in the Statement of Claim and asserted the following defenses: Claimants failed to state a claim upon which relief can be granted, the securities purchased were suitable under the circumstances and the transactions were authorized, approved, confirmed and/or ratified, Claims presented should be barred by the Equitable Doctrines of Laches, Waiver and Estoppel, Claimant failed to mitigate his losses, any monetary loss/damage was in whole or in part created by/or caused by the acts, activities or omissions of the Claimant, Claimant is barred by the Doctrine of Unclean Hands, assuming that the Claimant suffered any damages or losses, persons, conditions and events beyond the control of Russo

Securities, Inc., caused such losses, and they therefore are not liable and Claimant had full, complete and contemporaneous knowledge of the act complained about and did ratify all of the acts. Claimant is therefore estopped and waived any cause of action that he may have had in this regards.

Respondent William G. Brown denied the allegations made in the Statement of Claim and asserted the following defenses: Claimant is properly chargeable with, and subject to, the doctrine of "assumption of risk", securities purchased were suitable under the circumstances and the transactions were authorized, approved, confirmed and/or ratified, Claims should be barred in whole or in part by the equitable doctrines of waiver and estoppel, any monetary loss/damage was created and/or caused by persons, market conditions and events beyond control of the Brown, Claimant failed to take required and/or necessary actions to mitigate his losses, and Respondent Brown, at the time and places complained, duly performed his duties and responsibilities, with diligence and in good faith.

Respondent Joseph A. Colangelo denied the allegations made in the Statement of Claim and asserted the following defenses: Colangelo was at no time a branch manager at Russo Securities or in charge of Daniel Lipis in any supervisory aspect.

RELIEF REQUESTED

Claimant requested an award in the amount of \$256,379 in actual damages, plus punitive damages, interest, attorney's fees, costs, and such other and further relief as the arbitrators deem proper. In addition, Claimant had requested for the disgorgement of commissions earned by Brown, Colangelo and Russo regarding the WDGI and Laser World trades.

Respondent Russo Securities requested that the claims asserted against them be denied in their entirety and that they be awarded their costs and attorneys' fees. In addition, Russo Securities submitted a counterclaim requesting all reimbursement of all fees involved in this case.

Respondent Brown requested that the claims asserted against him be denied in their entirety and that he be awarded his costs and attorneys' fees.

Respondents Ferdinand Russo and Richard A. Russo requested that the claims asserted against them be denied in their entirety and that they would be awarded their costs and attorneys' fees.

Respondent Colangelo requested that the claims asserted against him be denied in its entirety and that he be dismissed from this case.

OTHER ISSUES CONSIDERED & DECIDED

The Panel ruled on February 13, 2002, to grant Claimants Motion to Amend Statement of Claim and add Ferdinand Russo and Richard A. Russo. The Panel also ruled on February 13, 2002 to dismiss Respondent Joseph A. Colangelo from this matter.

The Panel notified all of the parties verbally at the February 19, 2002 pre-hearing as to the status of the Motions that were ruled upon on February 13, 2002.

The Panel ruled on May 23, 2002 to deny Respondents Ferdinand and Richard A. Russo's Motion to Dismiss, to deny Ferdinand and Richard A. Russo's Motion to Appear Telephonically, to deny Respondent Bill Brown's Motion to Postpone, to deny Claimant's Motion for Default as to Respondents Ferdinand Russo, Richard Russo and Russo Securities.

Upon review of the file and the representations made by/on behalf of the Claimant, the undersigned arbitrators have determined that Respondent Daniel Lipis had been served with the Statement of Claim pursuant to Rule 10302 and Rule 10314 of the NASD Code of Arbitration Procedure (the "Code"). The undersigned arbitrators have also determined that Respondent Daniel Lipis received due notice of the hearing as required under Rule 10315 of the Code and that arbitration of the matter would proceed pursuant to Rule 10318 of the Code.

Respondents Ferdinand Russo, Richard A. Russo did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") and having answered the Statement of Claim and represented at the hearing is bound by the determination of the arbitration panel on all issues submitted.

Respondent Daniel Lipis did not file with the NASD Dispute Resolution a properly executed submission to arbitration but is required to submit to arbitration pursuant to Rule 10301 of the NASD Code of Arbitration Procedure (the "Code") is bound by the determination of the arbitration panel on all issues submitted.

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 originals 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, if any, the undersigned arbitrators have decided in full and final resolution of the issues submitted for determination as follows:

1. Respondents, Russo Securities, Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for and shall pay to Claimant, Donald M. Knudson, the sum of One Hundred Ten Thousand Dollars (\$110,000) in Compensatory Damages.

2. Respondents, Russo Securities, Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for and shall pay to Claimant, Donald M. Knudson, plus pre and post award interest at the rate of 8% per annum on said award until payment is made in full.
3. Respondents, Russo Securities, Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for and shall pay to Claimant, Donald M. Knudson Twenty Seven Thousand, One Hundred and One Dollars and Sixty Seven Cents (\$27,101.67) in attorney's fees.
4. Upon satisfaction of the award entered in this matter, Claimant shall tender, pro rata, 10,000 shares of WDGI to the Respondents who have tendered such payments.
5. Claimant Donald M. Knudson's claim as to Respondent William G. Brown is denied in its entirety.
6. To the extent not specifically awarded or otherwise provided for above, all other claims and requests for relief, including punitive damages, by any party hereto are denied with prejudice.
7. That other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter;

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	= \$ 300
Counter claim filing fee	= \$ 500

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 persons at the time of the events giving rise to the dispute. In this matter, the member firm is Russo Securities, Inc.

Member surcharge	= \$ 1,500
Pre-hearing process fee	= \$ 600
Hearing process fee	= \$ 2,500

Adjournment Fees

Adjournments granted during these proceedings:

Hearing Dates February 19-22, 2002, adjournment by party Russo Securities, Inc. = \$ 1,125

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 arbitrators, including a pre-hearing conference with the arbitrators, that lasts four (4) hours or less. Fees associated with these proceedings are:

Six (6) Pre-hearing sessions with Panel x \$1,125 = \$ 6,750

Pre-hearing conferences:	<u>Date</u>	
	09/20/2001	1 session
	10/25/2001	1 session
	02/05/2002	1 session
	02/19/2002	1 session
	05/01/2002	1 session
	05/22/2002	1 session

Four (4) Hearing sessions x \$1,125 = \$ 4,500

Hearing Dates:	<u>Date</u>	
	5/28/2002	2 sessions
	5/29/2002	2 sessions

Total Forum Fees = \$11,250

The Arbitration Panel has assessed \$11,250 of the forum fees jointly and severally to Russo Securities, Inc., Ferdinand Russo, Richard A. Russo, and Daniel Lipis.

Fee Summary

Claimant, Donald M. Knudsen, is liable for:

Initial Filing Fee	= \$ 300
Total Fees	= \$ 300
<u>Less payments</u>	<u>= \$ 1,425</u>
Balance Refund From NASD Dispute Resolution	= \$ 1,125

Respondent, Russo Securities, Inc., is liable for:

Counterclaim Filing Fee	= \$ 500
Member Fees	= \$ 4,600
Adjournment Fee	= \$ 1,125

Total Fees	= \$ 6,225
<u>Less payments</u>	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 6,625

Respondents, Russo Securities, Inc., Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for:

<u>Forum Fees</u>	= \$ 11,250
Total Fees	= \$ 11,250
<u>Less payments</u>	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 11,250

All balances are due to NASD Dispute Resolution

ARBITRATION PANEL

Marc H. Shtul, Esq. - Public Arbitrator, Presiding Chair
Dom Alecci - Public Arbitrator
James R. Augustine - Industry Arbitrator

Concurring Arbitrators:

Marc H. Shtul, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Dom Alecci
Public Arbitrator

Signature Date

James R. Augustine
Non-Public Arbitrator

Signature Date

Total Fees	= \$ 6,225
Less payments	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 6,625

Respondents, Russo Securities, Inc., Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for:

Forum Fees	= \$ 11,250
Total Fees	= \$ 11,250
Less payments	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 11,250

All balances are due to NASD Dispute Resolution

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Marc H. Schtul, Esq. - Public Arbitrator, Presiding Chair
Dom Alecci - Public Arbitrator
James R. Augustine - Industry Arbitrator

Concurring Arbitrators:

Marc H. Schtul, Esq.
Public Arbitrator, Presiding Chair

Signature Date

Dom Alecci
Public Arbitrator

Signature Date



James R. Augustine
Non-Public Arbitrator

7/30/02

Signature Date

Less payments	= \$ 0
Balance Due NASD Dispute Resolution	= \$ 6,625

Respondents, Russo Securities, Inc., Ferdinand Russo, Richard A. Russo, and Daniel Lipis, are jointly and severally liable for:


Forum Fees	= \$ 11,250
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Marc H. Shtul, Esq.
Public Arbitrator, Presiding Chair

7/30/02

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Signature Date

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Signature Date

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Total Fees	= \$ 11,250
Less payments	= \$ 0
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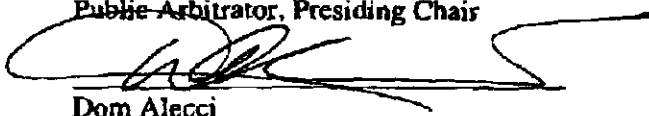
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Marc H. Shtul, Esq. - Public Arbitrator, Presiding Chair
Dom Alecci - Public Arbitrator
James R. Augustine - Industry Arbitrator

Concurring Arbitrators:

Marc H. Shtul, Esq.
Public Arbitrator, Presiding Chair



Dom Alecci
Public Arbitrator

Signature Date

July 30, 2002

Signature Date

James R. Augustine
Non-Public Arbitrator

Signature Date