

Award
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Name of the Claimant/Counter Respondent
William Blair & Company, LLC

Case Number: 03-00994

Name of the Respondents/Counter Claimants
James J. Arado, Robert C. Bridges,
Thomas S. Bridges, John P. Huber,
Mortimer G. Huber, Richard S. Kaplan,
and Geneva Investment Management

Hearing Site: Chicago, Illinois

REPRESENTATION OF PARTIES

Kathleen Roach, Esq. and Brendan J. Healey, Esq., of the firm Sidley Austin Brown & Wood located in Chicago, Illinois, represented Claimant/Counter Respondent William Blair & Company, LLC ("William Blair").

Eric D. Brandfonbrener, Esq. and Lawrence Oliver, II, Esq. of the firm Perkins Coie located in Chicago, Illinois, represented Respondents/Counter Claimants James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management, hereinafter collectively referred to as "Respondents/Counter Claimants."

CASE INFORMATION

William Blair filed a Statement of Claim filed on or about February 11, 2003.

William Blair signed the Uniform Submission Agreement: February 7, 2003.

Respondents/Counter Claimants filed a Statement of Answer and Counterclaim on or about February 27, 2003.

William Blair filed Statement of Answer to Counterclaim on or about: March 17, 2003.

William Blair filed a Hearing Brief on or about: March 14, 2003.

CASE SUMMARY

William Blair asserted the following causes of action: breach of contract; conversion; violation of the NYSE Rule 346, violation of NASD Rule 3030, and breach of fiduciary duty.

Unless specifically admitted in their Answer, Respondents/Counter Claimants denied the allegations made in the Statement of Claim and asserted the following defenses: failure to state a claim upon which relief may be granted; claims are barred, in whole or in part, because of Claimant's unlawful conduct and intervening breach of its obligations to Respondents/Counter Claimants; claims are barred in whole or in part, by the doctrines of laches, waiver, estoppel, and/or ratification; and

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claims are barred in whole or in part, by the doctrines of unclean hands, equitable estoppel, and/or quasi estoppel.

In their Counterclaim Respondents/Counter Claimants asserted the following causes of action: defamation, tortious interference with prospective business advantage, inequitable conduct under NASD Rules, and conversion.

Unless specifically admitted in its Answer, Claimant/Counter Respondent denied the allegations made in the Counterclaim and asserted the following defenses: failure to state a claim upon which relief may be granted; conversion claim is moot; U-5 statements are subject to a qualified privilege; to the extent that complained-of statements are substantially true, counterclaimants fail to state a claim upon which relief may be granted; certain statements of which Counter Claimants complain are reasonably susceptible to an innocent construction and hence are not actionable; certain statements of which Counter Claimants complain constitute non-actionable expressions of opinion protected under the First Amendment of the United States Constitution and the free speech clause of the Illinois Constitution; the punitive damages claim should be stricken, Counter Claimants make no claim for payment of amounts allegedly owed to Respondents and their employees, and therefore such repayments should not be a form of their relief; and some or all of the claims and/or damages asserted in this case are barred by the doctrine of unclean hands.

RELIEF REQUESTED

William Blair requested unspecified compensatory and punitive damages, as well as attorney's fees and costs. William Blair further requested an order enjoining Respondents/Counter Claimants, their officers, agents, servants, employees, and attorneys and those persons in active concert or participation or privity with them, from continuing to use Claimant's and its clients' confidential and proprietary information in any manner. Claimant further requested an order requiring the return of all originals and copies of William Blair's proprietary and confidential information, including but not limited to, all of Claimant's client account information and data, whether stored in hard copy, electronically, magnetically, or in any other form. Claimants also requested any such other and further relief the panel deemed just and equitable.

Respondents/Counter Claimants also requested unspecified compensatory and punitive damages, as well as attorney's fees and costs. Respondents/Counter Claimants further requested injunctive relief and denial and dismissal of the claim. The individual Respondents/Counter Claimants also requested expungement of their U-5 forms of all reference to this arbitration. Respondents/Counter Claimants also requested an order directing Claimant to comply with all client requests made by clients whose accounts were supervised by Respondents/Counter Claimants and the return of personal property. The Respondents/Counter Claimants further requested an order enjoining Claimant from further defamation of Respondents/Counter Claimants. The Respondents/Counter Claimants also sought such other and further relief as the Panel deems just and proper.

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OTHER ISSUES CONSIDERED AND DECIDED

Respondent/Counter Claimant James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, and Richard S. Kaplan did not file with NASD Dispute Resolution properly executed submissions to arbitration but are required to submit to arbitration pursuant to the Code and, having answered the claim, appeared and testified at the hearing, are bound by the determination of the Panel on all issues submitted.

Respondent/Counter Claimant Geneva Investment Management did not file with NASD Dispute Resolution properly executed submissions to arbitration but having answered the Statement of Claim, filed a Counterclaim, appeared and testified at the hearing, it submitted all issues to this Panel and is bound by its determination.

AWARD

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

1. Any and all claims asserted by Claimant/Counter Respondent William Blair & Company, LLC against Respondents/Counter Claimants James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management are denied in their entirety.
2. Any and all claims asserted by Respondents/Counter Claimants James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management against Claimant/CounterRespondent William Blair & Company, LLC are denied, except as specified herein.
3. The Panel recommends revisions to the reference of this arbitration on the registration records of James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan maintained by the NASD Central Registration Depository ("CRD"). The Panel recommends that the entry to question 7(b), Part I, Item 3 be stricken and that the following be the substituted entry to question 7(b), Part I, Section 3 of each of these Respondents' records:

On January 13, 2003, {insert Respondent's name here} resigned voluntarily from William Blair & Company, LLC ("William Blair") to start an investment advisory firm, Geneva Investment Management, L.L.C. ("Geneva"), with several other William Blair principals. On January 14, 2003, William Blair began receiving phone calls from clients who had received correspondence from Geneva that the clients stated contained the clients' personal William Blair account information. Based upon information received from a number of William Blair clients who were being solicited by Geneva, it appeared that customer account information might have been removed from William Blair's electronic

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Blair's electronic systems. On January 14, 2003, William Blair began investigating what information may have been removed and what remedies William Blair may have to prevent further use of its customer account information. William Blair investigated and found no evidence that confidential information had been used in the correspondence received by the clients.

The panel makes this recommendation with the understanding that pursuant to NASD Notices to Members 99-09 and 99-54, Respondents must obtain confirmation from a court of competent jurisdiction before the CRD will execute the expungement directive.

4. Any and all relief not specifically addressed herein, including punitive 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	= \$ 500.00
Counterclaim filing fee	= \$ 250.00

Injunctive Fees

Pursuant to Rule 10335(b)(6)(B) and 10205(h) of the Code parties requesting injunctive relief pay a surcharge fee. Accordingly, William Blair and Respondents/Counter Claimants, jointly and severally, are charged as follows:

Injunctive surcharge	= \$2,500.00
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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, William Blair is assessed the following fees:

Member surcharge	= \$ 1,500.00
Pre-hearing process fee	= \$ 750.00
Hearing process fee	= \$ 2,200.00
Total	= \$ 4,450.00

Forum Fees and Assessments

The Panel has assessed forum fees for each session conducted. A 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:

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Thirteen (13) Hearing sessions at \$1,000.00 = \$13,000.00

Hearing Dates:	March 18, 2003	3 sessions
	March 19, 2003	2 sessions
	April 29, 2003	2 sessions
	April 30, 2003	2 sessions
	May 19, 2003	2 sessions
	June 04, 2003	2 sessions

Total Forum Fees = \$13,000.00

1. The Panel has assessed \$6,500.00 of the forum fees to William Blair & Company, LLC.
2. The Panel has assessed \$6,500.00 of the forum fees jointly and severally to James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management.

Administrative Costs

Administrative costs are expenses incurred due to a request by a party for special services beyond the normal administrative services. These include, but not limited to, additional honorarium, additional copies of arbitrator awards, copies of audio transcripts, retrieval of documents from archives, interpreters, and security.

The panel evenly divided the cost for additional honorarium pursuant to Rule 10335(b)(6)(C):

1. William Blair & Company, LLC = \$2,062.50
2. James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management, jointly and severally = \$2,062.50

FEE SUMMARY

1. Claimant/Counter Respondent William Blair & Company, LLC is solely liable for:

Initial Filing Fee	= \$ 500.00
Member Fees	= \$ 4,450.00
Injunctive Surcharge Fee	= \$ 2,500.00
Administrative Costs	= \$ 2,062.50
<u>Forum Fees</u>	<u>= \$ 6,500.00</u>
Total Fees	= \$16,012.50
<u>Less payments</u>	<u>= \$ 6,250.00</u>
Balance Due NASD Dispute Resolution	= \$ 9,762.50

2. Respondents/Counter Claimants James J. Arado, Robert C. Bridges, Thomas S. Bridges, John P. Huber, Mortimer G. Huber, Richard S. Kaplan, and Geneva Investment Management are jointly and severally liable for:

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Counterclaim Filing Fee	= \$ 250.00
Injunctive Surcharge Fee	= \$ 2,500.00
Administrative Costs	= \$ 2,062.50
Forum Fee	= \$ 6,500.00
Balance Due NASD Dispute Resolution	= \$11,312.50
Less payments	= \$ 1,250.00
Balance Due NASD Dispute Resolution	= \$10,062.50

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

ARBITRATION PANEL

Stephen J. Nagy, Esq.	-	Public Arbitrator, Presiding Chairperson
Theodore W. Wroblewski, Esq.	-	Public Arbitrator
Robert A. Vallone	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

/s/ Stephen J. Nagy

07/16/03

Stephen J. Nagy, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

/s/ Theodore W. Wroblewski

07/16/03

Theodore W. Wroblewski, Esq.
Public Arbitrator

Signature Date

/s/ Robert A. Vallone

07/16/03

Robert A. Vallone
Non-Public Arbitrator

Signature Date

07/16/03

Date of Service (For NASD Dispute Resolution office use only)

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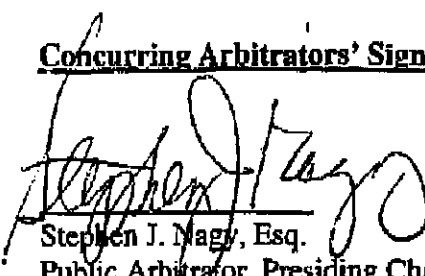
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Robert A. Vallone	-	Non-Public Arbitrator

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Public Arbitrator, Presiding Chairperson

7/16/03
Signature Date

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Public Arbitrator

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Robert A. Vallone	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Stephen J. Nagy, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date


Theodore W. Wroblewski, Esq.
Public Arbitrator

July 16, 2003
Signature Date

Robert A. Vallone
Non-Public Arbitrator

Signature Date

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Theodore W. Wroblewski, Esq.	-	Public Arbitrator
Robert A. Vallone	-	Non-Public Arbitrator

Concurring Arbitrators' Signatures

Stephen J. Nagy, Esq.
Public Arbitrator, Presiding Chairperson

Signature Date

Theodore W. Wroblewski, Esq.
Public Arbitrator

Signature Date


Robert A. Vallone
Non-Public Arbitrator

7/16/03
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