

AWARD
NASD Dispute Resolution

In the Matter of the Arbitration Between:

Names of Claimants

Ralph Nugent and Marc Chambers

vs.

Case Number: 05-03883
Hearing Site: Dallas, Texas

Name of Respondent

SAL Financial Services, Inc.

NATURE OF THE DISPUTE

Customers vs. Member

REPRESENTATION OF PARTIES

Ralph Nugent ("Nugent") and Marc Chambers ("Chambers"), hereinafter collectively referred to as "Claimants," were represented by Jason B. Stephens, Esq., Stephens & Anderson, LLP., Fort Worth, Texas and David R. Clouston, Esq., Patton Boggs LLP, Dallas, Texas.

SAL Financial Services, Inc. ("Respondent or SAL") was represented by Dorothy R. Drake, Esq., Haskell Slaughter Young & Rediker, LLC, Birmingham, Alabama.

CASE INFORMATION

The Statement of Claim was filed on or about August 14, 2001. The Submission Agreement of Claimants was signed on or about July 26, 2001. The First Amended Statement of Claim was filed on or about October 29, 2001. The Second Amended Statement of Claim was filed on or about April 16, 2003. The Third Amended Statement of Claim was filed on or about December 14, 2003.

The Statement of Answer and Motion to Dismiss was filed by Respondent on or about October 2, 2003. Respondent SAL did not file a Submission Agreement.

The Response to the Respondent's Motion to Dismiss was filed by Claimants on or about November 14, 2003.

The Motion to Sever, or in the Alternative to Bifurcate and Hear the SAL Claims Separately, was filed by Respondent on or about November 9, 2004. The Response to

Respondent's Motion to Sever, or in the Alternative to Bifurcate and Hear the SAL Claims Separately, was filed by the Claimants on or about December 1, 2004. The Reply to Claimants' Response to Respondent's Motion to Sever, or in the Alternative to Bifurcate and Hear the SAL Claims Separately, was filed by Respondent on or about: December 6, 2004.

The Post-Hearing Submission Requesting Judgment Order was filed by Claimants on or about January 28, 2005. The Response to Claimants' Post-Hearing Submission Requesting Judgment Order was filed by Respondent on or about February 14, 2005.

The Post-Hearing Brief in Support of Claims was filed by the Claimants on or about May 12, 2006. The Post-Hearing Brief was filed by the Respondent on or about May 30, 2006. The Post-Hearing Reply Brief in Support of Claims was filed by the Claimants on or about June 13, 2006.

CASE SUMMARY

Claimants initially asserted the following causes of action: breach of contract and warranties; violation of the Texas Deceptive Trade Practices Act; violation of the Securities Exchange Act; violation of the Texas Securities Act; violation of Section 27.01 of the Texas Business and Commerce Code; intentional and negligent misrepresentation; breach of fiduciary duty; negligence and gross negligence. The causes of action related to the recommendations and purchase of various unspecified securities. Claimants alleged excessive, unauthorized and unsuitable trading in Claimants' accounts, including the use of margin and short term trading in various stocks and other securities.

In regard to SAL, Claimants' asserted a cause of action for liability under the Texas Uniform Fraudulent Transfers Act, Section 24 of the Texas Business & Commerce and also the De facto Merger doctrine, which provides for successor liability. The causes of action related to the sale of the assets of American Investment Services, Inc. ("AIS"). Claimants alleged that SAL, AIS, and AIS's parent corporations orchestrated and structured the sale of AIS's assets in a manner to evade and avoid AIS's creditors, including the Claimants.

Unless specifically admitted in its Answer, Respondent 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; Claimants' claims against Respondent failed as a matter of law; Claimants' claims are barred by waiver, ratification, acquiescence, and estoppel; Respondent was not the proximate cause of Claimants' alleged losses; Claimants were contributory negligent; Claimants' claims are barred by the equitable doctrine of laches; Claimants' alleged losses were not foreseeable; Claimants assumed the risk of the market; Claimants' losses, if any, were market losses that were not caused by Respondent and for which Respondent should not be held liable;

Respondent's conduct was professional, acting in good faith and did not breach any duties owed to Claimants; Respondent did not act with any intent to defraud Claimants, the NASD or any other parties in this matter; Respondent did not misrepresent or omit material facts and is not liable to Claimants for alleged damages; and SAL cannot be held liable under the Texas Uniform Fraudulent Transfers Act because the asset purchase did not involve a fraudulent transfer of a debtor's assets.

RELIEF REQUESTED

Claimants, Ralph Nugent and Marc Chambers, requested an award in the amount of:

Actual/Compensatory Damages (Nugent)	\$170,000.00
Actual/Compensatory Damages (Chambers)	\$ 35,000.00
Exemplary/Punitive Damages (Nugent)	\$510,000.00
Exemplary/Punitive Damages (Chambers)	\$105,000.00
Interest	Unspecified
Attorneys' Fees	Unspecified
Other Costs	Unspecified

Respondent, SAL Financial Services, Inc., requested that the claims asserted against it be denied in their entirety and that it be awarded its costs and attorneys' fees.

OTHER ISSUES CONSIDERED & DECIDED

Respondent, SAL Financial Services, Inc., did not file with the NASD Dispute Resolution a properly executed Uniform Submission Agreement but is required to submit to arbitration pursuant to the Code and, having answered the claim, appeared and testified at the hearing, is bound by the determination of the Panel on all issues submitted.

On or about January 6, 2005, the Panel granted Respondent's Motion to Sever, or in the Alternative to Bifurcate and Hear the SAL Claims Separately, in Case No. 01-04336 agreeing to bifurcate the hearings. On January 18-20, 2005, the hearing was held in NASD Arbitration No. 01-04336 representing Claimants' case against Jorge E. Villalba, Jr., A. Phillip Chang, Darrel Thomas Uselton, Joseph Anthony Cerbone, Jerry Kinnan, Esq., National Capital Company, Inc., AISCO Holdings, Ltd., and American Investment Services, Inc. After hearing the evidence, the Panel granted the Motion to Sever Respondent SAL from Case No. 01-04336 and ordered that a new case number and hearing be assigned to the newly severed case, captioned "Claimants Ralph Nugent and Marc Chambers v. Respondent SAL Financial Services, Inc. "

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.

AWARD

After considering the pleadings, the testimony, and the 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, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Ralph Nugent, the sum of \$171,962.10 in compensatory damages;
- 2.) Respondent, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Ralph Nugent, the sum of \$28,124.13 in interest on the above-stated sum;
- 3.) Respondent, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Marc Chambers, the sum of \$38,445.13 in compensatory damages;
- 4.) Respondent, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Marc Chambers, the sum of \$3,733.91 in interest on the above-stated sum;
- 5.) Respondent, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Ralph Nugent, the sum of \$64,819.44 in attorneys' fees pursuant to Texas Business and Commercial Code §24.008(b), 24.011 and 1.106;
- 6.) Respondent, SAL Financial Services, Inc., is liable for and shall pay to Claimant, Marc Chambers, the sum of \$8,605.78 in attorneys' fees pursuant to Texas Business and Commercial Code §24.008(b), 24.011 and 1.106;
- 7.) Other than Forum Fees which are specified below, the parties shall each bear their own costs and expenses incurred in this matter; and
- 8.) Any relief not specifically enumerated, including punitive damages, is hereby denied with prejudice.

FEES

Pursuant to the Code, the following fees are assessed:

Forum Fees and Assessments

The Panel has assessed forum fees for each hearing session conducted or each decision rendered on a discovery-related motion on the papers. 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:

Eight (8) Hearing sessions x \$1,200.00			= \$ 9,600.00
Hearing Dates:	April 4, 2006	2 sessions	
	April 5, 2006	2 sessions	
	April 6, 2006	2 sessions	
	September 15, 2006	2 sessions	
<hr/> Total Forum Fees			= \$ 9,600.00

The Panel has assessed \$9,600.00 of the forum fees to the Respondent, SAL Financial Services, Inc.

FEE SUMMARY

Respondent SAL Financial Services, Inc. is liable for:

Forum Fees	= \$ 9,600.00
Total Fees	= \$ 9,600.00
Less payments	= \$ 0.00
Balance Due NASD Dispute Resolution	= \$ 9,600.00

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

ARBITRATION PANEL

Edwin J. Tomko, Esq. - Public Arbitrator, Presiding Chair
William L. Cravens - Public Arbitrator
Lisa R. Browning, Esq. - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Edwin J. Tomko, Esq.
Public Arbitrator, Presiding Chair

Signature Date

William L. Cravens
Public Arbitrator

Signature Date

Lisa R. Browning, Esq.
Non-Public Arbitrator

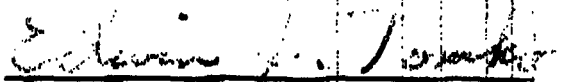
Signature Date

Date of Service (For NASD office use only)

ARBITRATION PANEL

Edwin J. Tomko, Esq. - Public Arbitrator, Presiding Chair
William L. Cravens - Public Arbitrator
Lisa R. Browning, Esq. - Non-Public Arbitrator

Concurring Arbitrators' Signatures:



Edwin J. Tomko, Esq.
Public Arbitrator, Presiding Chair



September 27, 2006
Signature Date

William L. Cravens
Public Arbitrator

Signature Date

Lisa R. Browning, Esq.
Non-Public Arbitrator

Signature Date

10/2/06 

Date of Service (For NASD office use only)

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William L. Cravens - Public Arbitrator
Lisa R. Browning, Esq. - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Edwin J. Tomko, Esq.
Public Arbitrator, Presiding Chair

Signature Date



William L. Cravens
Public Arbitrator

9/29/06

Signature Date

Lisa R. Browning, Esq.
Non-Public Arbitrator

Signature Date

10/2/06 mac

Date of Service (For NASD office use only)

ARBITRATION PANEL

Edwin J. Tomko, Esq. - Public Arbitrator, Presiding Chair
William L. Cravens - Public Arbitrator
Lisa R. Browning, Esq. - Non-Public Arbitrator

Concurring Arbitrators' Signatures:

Edwin J. Tomko, Esq.
Public Arbitrator, Presiding Chair

Signature Date

William L. Cravens
Public Arbitrator

Signature Date



Lisa R. Browning, Esq.
Non-Public Arbitrator

11/11/06
Signature Date

10/2/06 
Date of Service (For NASD office use only)