

NATIONAL ASSOCIATION OF SECURITIES DEALERS, INC.

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The Pinnacle Group, Inc.	:	
	:	
Claimant	:	
v.	:	
	:	
J. Rutledge Lawson,	:	
Caroline B. Lawson,	:	
Geoffrey A. Lawson,	:	A.W.A.R.D
G.L.H. Properties,	:	
William D. Gilmore, Jr.	:	#88-03782
James W. Hayes,	:	
	:	
Respondents	:	
	:	
v.	:	
The Robinson-Humphrey Company.	:	
Inc., Shearson Lehman Brothers.	:	
Inc., Lee A. Folger, III	:	
	:	
Third-Party Respondents:	:	

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CASE SUMMARY

The Statement of Claim was filed on December 8, 1988.

Claimant, The Pinnacle Group, Inc. (Pinnacle) and Third-Party Respondent, Lee Folger, III (Folger) alleged that due to what's now commonly known as "The Crash" which occurred in October of 1987, Respondents, J. Rutledge Lawson, Caroline B. Lawson, Geoffrey Lawson, G.L.H. Properties, William D. Gilmore, Jr. and James W. Hayes suffered substantial losses in their options accounts (they had three separate accounts), which they held with Pinnacle and were unable to meet their margin requirements. As a result of said losses, Claimant, Pinnacle, was forced to exercise its right under the Margin Agreement to liquidate Respondents' securities held as security for Respondents' margin accounts causing large debit balances which respondents refused to pay.

Respondents asserted a counter claim against the Claimant, Pinnacle, and brought Third-Party Claims against The Robinson-Humphrey Company, Inc., Shearson Lehman Brothers, Inc. and Lee A. Folger, III, maintaining that Claimant, Pinnacle and Third-Party Respondents misled Respondents into engaging in index options trading on the grounds that they could engage in options trading with little or no known risk.

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-Respondents maintained that they were not sophisticated investors and that all trades were unauthorized and constituted negligence, fraud and violations of state and federal securities laws.

Third Party Respondents, The Robinson-Humphrey Company, Inc. and Shearson Lehman Brothers, Inc. maintained that they are not responsible for any losses incurred by Respondents since Third-Party Respondent, Lee A. Folger, III, who was the account executive who handled Respondents' accounts while at Robinson Humphrey left The Robinson Humphrey/Shearson Lehman Brothers in April of 1987 transferring the accounts when he moved to Pinnacle and all damages in question occurred in October of 1987.

#### RELIEF REQUESTED

Claimant, The Pinnacle Group, Inc. requested that they be awarded the following: The sum of \$197,897.30 plus interest against J. Rutledge Lawson/Caroline B. Lawson (one account); \$40,121.74 plus interest against J. Rutledge Lawson/Geoffrey A. Lawson (one account); \$405,720.80 plus interest against G.L.H. Properties (one account-these amounts represent the debit balances in the accounts). Claimant also requested costs, attorneys' fees and costs of this proceeding.

Respondents requested relief on their counterclaims and Third-Party Claims in the total amount of \$868,823.78 plus interest, costs, attorneys' fees punitive damages and RICO damages.

Third-Party Respondents, The Robinson Humphrey Co./Shearson Lehman Brothers, Inc. requested dismissal of the Third-Party claim asserted against them by Respondents.

Third-Party Respondent, Lee A. Folger, III, requested dismissal of the Third-Party Claim asserted against him by Respondents.

#### AWARD

On July 12, 1990, July 13, 1990, August 23, 1990, August 24, 1990 and August 30, 1990 the undersigned arbitrators heard the controversy between the Parties as set forth in submissions to arbitration signed by the Claimant, The Pinnacle Group, Inc. on December 2nd, 1988, by Respondent, J. Rutledge Lawson on March 10, 1989, by Respondent, Caroline B. Lawson on March 13, 1989, by Respondent, Geoffrey Lawson on March 13, 1989, by Respondent, G.L.H. Properties on March 10, 1989, by Respondent, William D. Gilmore, Jr. on March 10, 1989, by Respondent, James W. Hayes on March 10, 1989. The Hearing was held in Charlotte, NC and consisted of eleven sessions. The arbitration panel, having considered the pleadings, the testimony and the evidence presented at the hearing, has determined in full and final resolution of the issues submitted for determination as follows:

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1. All claims against the Third-Party Respondents, The Robinson Humphrey Co., Inc., Shearson Lehman Brothers, Inc. and Lee A. Folger, III, shall be and hereby are dismissed in all respects;
2. Respondents, J. Rutledge Lawson and Caroline B. Lawson shall pay to Claimant, The Pinnacle Group, Inc., the sum of Sixty Three Thousand One Hundred Thirty Nine Dollars and Thirty Four Cents (\$63,139.34);
3. Respondent, GLH Properties, shall pay to Claimant, the Pinnacle Group, Inc., the sum of Two Hundred Twelve Thousand Two Hundred Seventy Seven Dollars and Six Cents (\$212,277.06);
4. Respondents, Geoffrey Lawson and J. Rutledge Lawson, shall pay to Claimant, The Pinnacle Group, Inc., the sum of Twenty Five Thousand Four Hundred Seventeen Dollars and Two Cents (\$25,417.02)
5. The Claims of Respondents for punitive damages and RICO damages shall be and hereby are dismissed in all respects;
6. The Parties shall each bear their respective costs, including attorneys' fees;
7. Pursuant to Section 43 of the Code of Arbitration Procedure the National Association of Securities Dealers, Inc. shall retain the \$1,000.00 filing fee previously deposited by the Claimant;
8. Respondents, J. Rutledge Lawson, Caroline B. Lawson, Geoffrey A. Lawson, G.L.H. Properties, William D. Gilmore, Jr. and James W. Hayes are jointly and severally assessed forum fees in the amount of \$5,500.00 payable to the NASD, Inc. through its staff administrator in accordance with Section 43 of the Code of Arbitration Procedure;
9. Claimant is assessed forum fees in the amount of \$4,500.00 payable to the NASD, Inc. through its staff administrator in accordance with Section 43 of the Code of Arbitration Procedure.

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CONCURRING ARBITRATORS

/s/

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Allen Kilik, Esq.

/s/

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Russell P. Shomler

/s/

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Thomas Adamson, IV

DATED BY NASC  
JANUARY 30, 1991